



# ***Daily Report***

## **China**

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# Daily Report China

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5 December 1988

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**General**

**Commentary on U.S. Denial of 'Arafat Entry Visa**  
*HK0512043288 Beijing RENMIN RIBAO in Chinese*  
4 Dec 88 p 6

[Short commentary: "A Shadow in the Peace Process in the Middle East"]

[Text] The U.S. Government did not expect that its refusal to grant the entry visa to PLA Chairman 'Arafat, to enable him to participate in the UN General Assembly, would evoke such strong opposition in the whole world. Not only did the Arab countries protest strongly, even some Western allies expressed discontent and demanded that the U.S. Government change this reckless decision. People also noticed that on 30 November, the UN General Assembly adopted a resolution with an overwhelming majority to urge the United States to reconsider and change its decision on refusing to grant the entry visa to 'Arafat. Only Israel sided with the United States in voting against this resolution. Because the United States rejected this UN resolution, the UN General Assembly then passed another resolution on moving the venue for discussing the Palestinian issue to Geneva, and still only the United States and Israel voted against this resolution. In the history of the United Nations, this was the first time the UN General Assembly decided to move its meeting place out of the United States because it resented the wrong behavior of the United States. This showed that the perverse behavior of the United States is getting very unpopular. As Western public opinion pointed out, "the whole world almost unanimously expressed dissatisfaction at the refusal of the United States to grant the visa to 'Arafat."

People's dissatisfaction was certainly reasonable. According to the UN Headquarters Agreement signed by the U.S. Government and the United Nations in 1947, as the host country, the United States has no right to impede any person invited by the United Nations to enter and leave UN headquarters. Not long ago, the United States tried to close the PLO office in the United Nations, but it failed to do this because of the strong opposition at home and abroad. Now its decision obviously violated the agreement between the U.S. Government and the United Nations and violated its commitments specified by the agreement.

However, more upsetting is the fact that the Middle East peace process, which became more promising thanks to the efforts made by all parties concerned, is now again shrouded by an ominous shadow. Recently, a trend of detente has appeared in the whole world, and many "hot spots" have begun to cool down. A good tendency to replace confrontation with dialogue has also appeared in the Middle East. Although the people's struggle in the occupied areas is still going on, the war between Israel and the Arab countries has basically ended. There were busy diplomatic activities between the countries concerned, and they were making efforts for the cause of

peace in the Middle East. The United States also made contributions to the advances of the peace process. For example, Shultz made four shuttle visits to the Middle East to explain his peace program and solicit the opinions of all parties concerned in order to improve his program. The United States also showed a certain degree of flexibility on the issues of holding an international conference and demanding the Israeli forces withdraw from some of the occupied areas. The United States criticized the obstinate attitude of Shamir, and breaking its old rule, came into contact with some members of the PLO National Committee. Although it did not change its position on the key issues, it did show a positive attitude toward the Middle East peace process. Therefore, people are hopeful of realizing peace in the Middle East through continuous dialogue and position adjustments by all the parties concerned.

However, that the United States refused to grant the entry visa to 'Arafat at this crucial moment just dampened down the peace efforts in the Middle East. In particular, at its 19th special meeting, the PLO National Committee explicitly announced that it accepted Resolutions 242 and 338 of the UN Security Council. This indicated that it was adopting some positive measures to ease the situation in the Middle East, and represented an opportune moment for advancing the Middle East peace process. If 'Arafat is able to expound the position of the PLO on the UN rostrum, this will certainly help deepen the mutual understanding between various parties concerned and promote an exchange of opinions between them. However, the U.S. Government made a decision that went against the wishes of all people in the world. This will, as THE WASHINGTON POST said, "foil the remitting efforts of the Reagan administration to seek the way to break the stalemate in the Israeli-Arab conflicts."

Of course, it may still be too early to mention "failure." However, the decision made by the United States has indeed evoked indignation among the people who safeguard the dignity of the United Nations and caused disappointment to the people who are concerned with peace in the Middle East.

**'News Analysis' of Gorbachev Visit to UN, U.S.**  
*OW0512104188 Beijing XINHUA in English*  
0751 GMT 5 Dec 88

["News Analysis: What's the Purpose of Gorbachev's New York Trip?" (by Qian Wenrong)—XINHUA headline]

[Text] United Nations, December 4 (XINHUA)—The unexpected decision by Soviet leader Mikhail Gorbachev to come to New York has surprised the international community and the American public as well, who are wondering what the real purpose of the trip is.



According to the already announced three-day schedule, Gorbachev is to address the United Nations in the morning of December 7 and then to have lunch with U.S. President Ronald Reagan and President-elect George Bush on Governors Island in New York Harbor as well as to tour the Metropolitan Museum of Arts, the World Trade Center and billionaire Donald Trump's 19-million-dollar apartment on the Fifth Avenue.

Soviet officials here said the main purpose of Gorbachev's trip is to further elaborate his new policy toward the United Nations.

But, most U.N. officials and delegates as well as the American public have different judgments.

Yes, Gorbachev has been paying more and more attention to the role of the United Nations since he came to power more than three years ago. He has made a big change in the Soviet policy toward the world body.

On September 17, 1987, just three days after the opening of the 42nd U.N. General Assembly session, Gorbachev for the first time advocated strengthening the role of the United Nations in peace-making and peace-keeping in his article entitled "Reality and Safeguards for a Secure World" published in the two major Soviet newspapers, "PRAVDA" and "IZVESTYA," which was originally prepared as his speech to the General Assembly.

In this article, which has been considered a "turning point" in the Soviet U.N. policy, he put forward a sweeping list of 11 proposals which range from verifying arms control agreements, investigating acts of international terrorism and establishing international standards for human rights to alleviating Third World debt and improving world health and environmental problems.

However, more important is that his proposal focuses on strengthening the role of the Security Council in reducing international tension and resolving regional conflicts, such as reviving the Military Staff Committee composed of the five permanent member states in the Security Council and establishing a U.N. hotline to the capitals of the Council's big five.

This has clearly shown that when today's multipolar reality requires a multilateral approach to the solution of global and regional issues, the Soviet Union finds it necessary to wider use the United Nations to serve its political purpose of alleviating its military and economic burden in costly conflicts such as its military presence in Afghanistan and its support for the Vietnamese aggression in Kampuchea, and creating a favourable international climate so that Moscow can concentrate its energy and resources on the domestic political and economic reform.

So, when he comes to address the United Nations on Wednesday, Gorbachev is certainly expected to give further clarification of his "new thinking" and new

policy toward the world body, while airing his views on general international situation and regional issues such as the Middle East, South Africa and Central America.

In spite of the importance of the forthcoming speech at the United Nations, however, many U.N. officials and delegates still consider it not a proper time for Gorbachev as the head of state of a superpower to address the United Nations when the General Assembly session is drawing to an end while all heads of state or government and foreign ministers of various countries had already left for home during the first three or four weeks of the three-month-long session and only their permanent representatives remain here and will sit in the Assembly Hall to listen to him.

But, it is the right and good time for the Soviet leader to pay a farewell call on the outgoing U.S. President and renew his acquaintance with the incoming president, they note, believing that Gorbachev's main purpose is to try to keep momentum in the improved Soviet-American ties and look for the continuity in the superpower dialogue. He wants to personally size up the new U.S. President.

This reveals the eager desire of the Soviet leader to obtain an early start to official contacts with the Bush administration after the U.S. general elections. To come to speak at the United Nations appears largely to provide an occasion for such a meeting.

It has been reported that the agenda is full for Gorbachev's upcoming meeting with Bush. Afghanistan, the Middle East and other regional conflicts, human rights, and overview of the various arms control negotiations will most likely be on the table.

Both Reagan and Bush are expected to ask Gorbachev to reaffirm Moscow's pledge to withdraw its troops from Afghanistan by February 15 next year, to play a supportive role in forging a peace accord in South Africa and press Moscow to take "sweeping actions" on human rights problems, while the Soviet leader may ask to resume the unfinished negotiations on a 50 percent cut in strategic nuclear weapons, to broaden trade between the two countries and to explore the possibility for a new Soviet-American summit.

But, the U.S. Government and news media have seized every chance to play down the expectations.

While announcing the Gorbachev-initiated trip to New York to meet with U.S. leaders, U.S. officials stressed that "it's not a summit."

"It will be a routine meeting. We do not expect any major agreements to be concluded," they said.

One of the reasons seems to be that Bush first of all has to get his own house in order. Right now, he has not yet finished the shaping of his administration, let alone about a finalized new policy toward the Soviet Union.

Also, before Bush talks seriously with Gorbachev, he must figure out how to shape U.S. nuclear forces after the 50 percent cut in strategic nuclear weapons.

"I've never supported meetings just for the sake of having a meeting," Bush said. "We have arms control, we have human rights, we have regional differences. And I can see reasons to talk about any, provided there's a reason to believe there will be progress."

In view of this, Gorbachev's meeting with Reagan and Bush is not expected to resolve specific problems or make decisions on issues between the two superpowers. It will also not hold the prospect of accelerating a full-fledged Bush-Gorbachev summit.

**International Studies Journal Views World Trends**  
*OW0212021488 Beijing GUOJI WENTI YANJIU*  
*in Chinese No 4, 13 Oct 88 pp 1-4*

[Article by Wang Shu (3769 2992): "Study New Changes in the World With New Thinking and New Perspectives"]

[Text] 1. Forty-three years have elapsed since the end of World War II. With the passage of time and the transformation of things, important and unprecedented changes have taken place in the political, economic, scientific, technological, and educational fields, and thus in international relations and the world situation in recent years, and such changes will continue to take place.

After World War II, the world situation was basically characterized by U.S.-Soviet rivalry for hegemony. With their status as major victorious nations, the United States and the Soviet Union expanded their military forces and were engaged in intense confrontation and fierce rivalry, trying in every possible way to prevail over the other. They pursued cold war policies, organized military blocs, and carried on a large-scale arms race on land, at sea, in the air, and even in space. As a result, their military expenditures became heavier and heavier. More and more scientific and technological achievements were used to meet military needs. Their nuclear and conventional weapons increased sharply, and the destructive power and accuracy of their weapons and equipment were continuously improved. Thus, the world found itself in a very dangerous position. Exploiting historical disputes and contradictions between nations, they meddled in, or stirred up and supported, regional conflicts and even sent troops to commit aggression against other countries in an attempt to expand their spheres of influence. However, historical development was completely contrary to their wishes, as it had been to all the militarists of the past—they failed to prevail over

each other, nor could they prevail over the world; moreover, they landed themselves in an extremely difficult political and economic position. Their hegemonic positions were shaken, and they were in danger of lagging behind other countries. The four U.S.-Soviet summit meetings, the conclusion of the INF agreement, deliberations on a political solution to certain regional conflicts, and the understanding reached in this regard have accurately reflected new changes taking place in the world, thus attracting the attention of the world and evoking public discussion.

2. A Major change in world politics today is that the economic strength of both the United States and the Soviet Union has weakened, their political influence has diminished, and a multipolar world has emerged. The Soviet Union's longstanding problems have all come to light: economic stagnation, scientific and technological backwardness, heavy burdens at home and abroad, shortages of articles for daily use, and being in danger of becoming "a developing country with a large number of atomic bombs" (in its own words). The U.S. position as the world's major economic and financial country is changing and weakening: It has shifted from a creditor to a debtor country, its budget and trade deficits remain high, its foreign debt has increased, it is generally estimated that the U.S. foreign debt will exceed \$1 trillion by 1991, and it now must depend on investments from Japan, the EC, and even the "four little Asian dragons." Facts during this period show that the arms race has become increasingly and amazingly costly in financial, material, and human resources; and that this race is not a solution for economic crisis, as alleged before, but seriously aggravates the economic situation. Although they rapidly developed weapons and equipment, including nuclear weapons, in both quantity and quality, they failed to dominate the world; on the contrary, they found themselves in danger of being destroyed. They stirred up and meddled in regional conflicts, but failed to gain much advantage from them; on the contrary, such regional conflicts became an endless waste of their financial and material resources. They sent troops to invade other countries, but they found it much more difficult than landing on the moon and finally had to admit defeat. The rivalry between the United States and the Soviet Union over the past 40-odd years has led only to a weakening of themselves in the end.

In the meantime, countries defeated in World War II have made "economic miracles," keeping abreast of the United States and the Soviet Union, and even surpassing them in a number of fields. Japan has become an economic power and a big creditor. Its intention to become a political power and the fact that its military spending exceeds 1 percent of the GNP have evoked extensive attention in the world, particularly in the Asia-Pacific region. Calculated at the rate of \$1 equal to 130 Japanese yen, Japan's per capita GNP averages \$19,642, surpassing the \$18,400 registered by the United States. In 1988, Japan's pure overseas investment will reach \$350 billion and net income \$35 billion. The FRG



is also noted for its rapid economic development. In 1987, its export trade amounted to \$293.2 billion, higher than the United States and Japan. This amount, plus that of the EC countries, accounted for 25 percent of the total volume of world trade. If the member countries of the European Free Trade Association are included, they would account for 40 percent of total world trade. At the same time, countries and regions once receiving U.S. "care," especially the "four little Asian dragons," have made noticeable progress in economic development. Economic multipolarization has already appeared. The United States' leading position in the world economy is being replaced by a combination of the three forces of the United States, Japan, and the EC, and the three currencies of U.S. dollars, Japanese yen, and Deutsche marks. The recent Toronto meeting of the heads of seven Western nations has practically affirmed the tripartite state of the United States, Japan, and the EC. The Soviet Union is facing even greater difficulty, because of its many years of abnormal economic growth. In the days to come, with unbalanced economic development, it will be increasingly impossible for the United States and the Soviet Union to dominate international politics as they did in the past. The appearance of this political multipolarization will enable the various countries to further reduce their reliance on the superpowers—a state of affairs appearing in the wake of war—and increase the tendency to independence. It will also enable them to exert an effect commensurate with their strength on the formation of new international relations and a new world pattern. Of course, the United States and the Soviet Union still have significant influence in world politics, and in particular, they still hold a dominant position militarily. Without the support of economic strength, however, how long this dominant position can be maintained is a big question. The beautiful scene which has lasted for nearly a half century has passed away as a dream. Now, the United States and the Soviet Union, once the most powerful countries in the world, have to begin making new calculations. They have realized that their ability has fallen short of their wishes and, beset with numerous domestic problems, they have to shift their attention to their internal affairs and make reforms and adjustments to maintain their position as big powers. Obviously, this is a very painful job for them; however, they have no choice but to take it up.

3. A new industrial technology revolution, centered on information revolution, crossed the threshold and will increasingly and significantly influence the international economic order and world pattern. High science and technology, albeit still in the childhood stage, has shown great vitality. It is generally expected that, in the next decade or two, new breakthroughs will emerge one after another in certain sophisticated fields of science and technology and will be gradually translated into productive forces. This new science and technology revolution will eventually radically change industrial and agricultural products, energy source materials, production processes, forms of labor, trade, and exchange, as well as

communications and transportation; and will bring productive forces to an unprecedentedly high level. Like current capital, land, and labor forces, information technology will gradually become one of the most fundamental resources of modern economic life. If a country is to assume superiority in its overall national strength, its success or failure depends on whether or not it develops information technology and how quickly and to what extent this technology is applied to production. With the science and technology revolution, the countries of the world, especially the main industrial countries, will undergo drastic changes. These include changes in their economic management systems, internal and external trade systems, economic policies, scientific and technological research work, cultural and educational policies, training programs for staff members and workers and, in particular, the quality of scientists, technicians, and workers and the cultural and scientific level of the people. Meanwhile, there will also be radical changes in world trade, monetary markets, currency systems, service trade, international economic order, and international relations. It can be expected that a new state of production and lifestyle in society and a change in people's thinking and conduct will gradually evolve.

While providing new opportunities to various countries, the new revolution in science and technology has given rise to fresh questions. Many countries have come to understand that their achievements in high science and technology will determine their status in the world during the next century. They have thus begun acutely competing for dominance in sophisticated scientific fields. They have all formulated their research programs and proceeded with new investment and with construction of experimental and pilot-scale production bases. They have paid even greater attention to educating and training scientists and technicians; adjusted the systems for managing and coordinating economic, science, and technology work; and revised old and inappropriate rules and regulations. In addition, they are stepping up regional cooperation in science and technology, making joint investment and study efforts in this regard, and working out their respective plans to coordinate these efforts. Although the United States still has some strong points in sophisticated science and technology, it should not be optimistic because Japan and the EC are quickly catching up and, as a matter of fact, have outstripped the United States in certain areas. As for the Soviet Union, its science and technology as a whole has lagged behind. If it does not strive to catch up, the gap between it and Western developed countries will further widen. In the meantime, many developed and developing countries are gearing up their efforts for development and research in certain areas of sophisticated science and technology, trying to gain expertise to avoid the further widening of the gap between them and the developed big powers.

On the other hand, the acceleration of speed and the expansion of the scope of the spread of information technology will combine the economies, financial resources, trade, and production of principal countries in

the world into an integrated network. It will be impossible for any country to isolate its economy from the world economy, still less can it avoid the influence of the world economy. Examples are the plummeting U.S. stock prices, the devaluation of the U.S. dollar, Japan's large surplus, and the Third World debt crisis. In addition, some global issues deserve the common concern of all countries and require their all-out efforts to seek solutions. Apart from the questions of peace and security, many more issues, such as prevention of nuclear accidents, ecological balance, environmental protection, the ozone layer, sharp population growth, food shortages, water resource scarcity, and the reduction of forest areas, have aroused widespread attention. As can be seen, mutual influence and interdependence are becoming more and more intensive among the world's nations, and international economic integration and localization are continuing to develop. To counter monopoly and control by the big powers and effectively develop their domestic economies, developing countries have also strengthened their regional cooperation and their collaboration in supplying each other with raw materials. In view of this, those with breadth of vision in various countries of the world should have a long-term viewpoint with scientific foresight. It is to their mutual advantage to strengthen coordination and cooperation; oppose trade protectionism; reduce contradictions, differences, and friction; reasonably solve their liability burden; and maintain the stability of their economies. Currently, there are frequent exchanges of visits, and meetings and negotiations are held from time to time between leading personalities in the economic, scientific, technological, and trade circles of various countries. This is indicative of the importance of coordination. In the future, we shall face a period marked by competition, contests, and creation, as well as interdependence, coordination, and cooperation. It is essential to adapt to the trend of the world and enhance the awareness of need for competition as well as cooperation on the world arena.

To be more adaptable to the changing world situation, various nations are carrying out reform or readjustment to solve major economic problems and create conditions for new productive forces. The reform carried out by Gorbachev over the past 3 years has attracted growing attention and is winning increasing respect worldwide. Because of its extensive model of economy and huge military spending over a long period, the Soviet Union's domestic problems are piling up. The gap between the Soviet Union and the advanced Western nations in economic strength and living standards is widening. Other than carrying out a reform which "has become most urgently necessary," there can be no way out for the Soviet Union. Of course, overcoming formidable internal resistance and barriers will be a very difficult task. However, thanks to efforts in solving difficulties and conforming to the needs of social development, the Soviet Union's reform is steadily advancing. The CPSU's recent 19th meeting of delegates has played a significant role in making the reform more irreversible, in promoting a political structural reform to deepen the

economic reform, and in carrying out democratization and glasnost. This has demonstrated the Soviet Union's great determination and courage in the reform. Of course, the Soviet Union's long accumulated chronic illnesses cannot be cured overnight, and many risks and undercurrents still lie ahead. U.S. domestic problems are also as great as those of the Soviet Union. It is relatively easy to see that the United States is faced with two huge deficit figures. Although its trade deficit has been reduced somewhat, it is still very large. The continually growing foreign debt incurred by high interest rates, paid by the United States to attract foreign capital, is also a problem which cannot be underestimated. True, economic forecasts predict that the U.S. economy is still capable of slow growth. However, the long accumulated problems, instead of being solved, are being aggravated. It is entirely possible for trouble to erupt at any moment. The serious responsibility of readjusting the U.S. economy has fallen squarely on the shoulders of the new president. However, if he tries to raise taxes and curb consumption, he will lose popularity among the American people. If he chooses to limit imports and expand exports, the differences between the United States and its allies will widen. Thus, readjusting the economy is also very difficult for the United States and cannot be achieved overnight. Although Japan and the EC have made great strides in economic construction, they are still making structural readjustments to solve various problems, continuing to expand their economy, and enhancing their competitiveness on the world market. Japan's ambitious economic and technology plan has attracted world wide attention, particularly in the United States. Many Third World countries are also pooling their resources to lay a good foundation or attempt to establish dominance, or at least not fall too far behind, in certain areas.

Internationally, the trend of democratization is further developing. Many nations and regions, including socialist and capitalist nations and regions, have realized that a most important consideration in reform or readjustment is acceleration of the democratization process. To develop high technology and expand total national strength, a nation must bring into full play the people's enthusiasm and creativity and pool the people's wisdom and talent. To accomplish this, it is necessary to further carry out democratization, improve the people's material and cultural well being, and arouse their enthusiasm so that they are willing to work hard. Gorbachev has repeatedly stressed the promotion of democratization and glasnost in economic and all other work to change the long depressed situation, to overcome difficulties and resistance, and to propel the reform forward. To accelerate democratization, many nations and regions are reforming their legal systems, improving their legislation, and amending their election systems so that the election results reflect the popular will, thereby speeding up the process of the rule of law. Some countries and regions are also revising their public opinion legislation, so as to constantly hear the public's voice regarding their political and economic life. Of course, many nations are



carrying out reform or readjustment in their cultural and educational work. Without raising the citizens' education level, it would be very difficult, or even impossible, to carry out democratization or develop high technology. Democratization is an inevitable result of economic development. It creates conditions for continued economic development and paves the way for a revolution in new science and technology.

5. Because of the declining U.S. and Soviet strength and easing U.S.-Soviet relations, the world will experience a relatively long period of relaxation. Unable to support their ambitions with adequate strength, both the United States and the Soviet Union need time to shift their attention to the long accumulated economic and political problems. Therefore, the relaxation will possibly be different from the two previous short ones. There shall be no great danger of war. But we also must not relax our vigilance. Some regional conflicts may be resolved, but others may not, and the intensity of still others may decrease by varying degrees. But the competition and race among various nations will be extremely keen in the new situation. The United States and the Soviet Union shall still be adversaries. But their focus will shift from contention for military superiority and regional influences to a contest of superiority in total national strength and in science and technology, while their antagonism in ideology and social systems will become relaxed. In trying to free themselves from their many domestic and foreign commitments, the United States and the Soviet Union may intensify the conflicts with their respective allies. At a certain stage, these conflicts, particularly in the economic field, may take precedence over the contradictions between the United States and the Soviet Union themselves. To revitalize its economy, the United States has to face up to the competition from Japan, the EC, and the "four little tigers." To reduce deficits, expand exports, and curb imports, it cannot avoid having more serious quarrels with them. To reduce its economic burden, the Soviet Union will inevitably aggravate contradictions with its allies. The political and economic difficulties in East Europe are bound to further complicate U.S.-Soviet relations. Meanwhile, in this new situation, the gap between the developing and developed nations will possibly further widen, and the differences and contradictions between the South and the North will further intensify.

The changes taking place in the world today already have the attention of world statesmen from different nations and different political inclinations, and have given rise to new ideas. In scale, impact, variety, and complicity, these changes have all gone beyond the ability of traditional methods of inference or conventions to predict. Thus, thoroughgoing and meticulous studies are called for in order to formulate new policies to deal with them. One thing is certain. These changes are bound to have an ever growing impact on the international economic order and the world setup and will bring about corresponding changes to the world. Even now, new situations and problems have emerged and are emerging in the

fields of politics, economy, science, technology, culture, and education, which all call on us to work out solutions. Faced with this changing world, people must observe and study the changes with new ways of thinking, instead of the old way of thinking, and in a different light. Don't let slip an opportunity; it may never come again. We must conform to the world trend, carry out reform and readjustment, and strive to keep pace with the march of time.

**Overseas Chinese Service Expansion Planned**  
*HK0312023688 Beijing ZHONGGUO XINWEN*  
*SHE in Chinese 0740 GMT 30 Nov 88*

[Commentary by reporter Zhao Jian (6392 0256): "China's Work on Overseas Chinese Affairs Will Be Extended Steadily Abroad"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 30 Nov (ZHONGGUO XINWEN SHE)—China's efforts relating to Overseas Chinese affairs have been further extended abroad, in the wake of the successive visits abroad by Director Liao Hui and Deputy Director Lin Shuilong of the Overseas Chinese Affairs Office of the State Council.

From 22 September to 31 October, the first official delegation from the Overseas Chinese Affairs Office of the State Council, headed by Li Shuilong, visited Western Europe. Then, on 1 November, Liao Hui arrived in Hawaii and started his North America tour which was to last more than a month, as the first Overseas Chinese Affairs Office director to head a delegation to visit the United States. These two successive visits to Europe and America by principal officials of the Overseas Chinese Affairs Office of the State Council imply that China is turning its focus abroad with regard to overseas Chinese affairs.

The Overseas Chinese Affairs Office of the State Council has concentrated attention on domestic affairs since its reestablishment in 1978, devoting much effort to setting things right, dealing with some issues left over by history, and implementing the government's policy on Overseas Chinese affairs at home. So far 99.8 percent of the unjust, false, and wrong verdicts involving returned Overseas Chinese and their family members concluded during the "Cultural Revolution" have been reversed, and 98 percent of the old cases occurring before the "Cultural Revolution" have been reinvestigated and handled. Most private houses belonging to returned Overseas Chinese that were illegally confiscated during the "Cultural Revolution" have been returned to their owners, and 85 percent of the houses belonging to Overseas Chinese in rural areas have been returned to their owners. Eighty-four percent of the returned Overseas Chinese and their family members (including Overseas Chinese's family members residing in China) who were laid off from their units in the 1960's have been properly resettled. Meanwhile, as the policy toward

intellectuals of Overseas Chinese origin has been implemented, more than 50,000 persons have been promoted. Since all these historical issues have been basically solved, better conditions for service to Overseas Chinese are now available. With regard to the main target of service for Overseas Chinese, the stress will be placed on "extensively uniting Overseas Chinese, returned Overseas Chinese, and their relatives" and on "promoting kinship with foreigners of Chinese descendant."

While Liao Hui and Lin Shuilong were travelling abroad, the Overseas Chinese Affairs Office of the State Council underwent a large-scale reorganization. While departments in charge of administration and domestic affairs were streamlined, the department taking care of overseas affairs was split into two. This restructuring operation is no doubt another indication of the State Council's intention to strengthen its work abroad.

Some observers believe that Liao Hui and Lin Shuilong's visits abroad mark a new stage of the Chinese Government's overseas efforts in its work concerning Overseas Chinese.

Purporting to "extend regards to Overseas Chinese, promote friendship, be better informed of the Overseas Chinese community, and solicit opinions on the work for Overseas Chinese," the delegations of the Overseas Chinese Affairs Office of the State Council met with Overseas Chinese from all circles during their tour of Europe and America. Lin Shuilong travelled in West Europe for more than 40 days, visiting more than 20 cities with large Chinese communities in the FRG, France, Italy, the Netherlands, England, and Spain and meeting more than 1,000 Overseas Chinese from all circles. Liao Hui has also planned to visit more than 10 American and Canadian cities with large Chinese communities during his tour there. This is the first time for Chinese officials in charge of Overseas Chinese affairs to have such massive and deep contact with Overseas Chinese in Europe and America. It will be of great importance to China's understanding of the Overseas Chinese community and the formulation of its policies in this field. By the way, the intimate ties that Liao Hui and Lin Shuilong have developed with Overseas Chinese in Europe and America will be a great help to China's efforts to promote relations with Overseas Chinese.

During his stay in the United States, Liao Hui repeatedly emphasized: "Chinese with foreign nationalities are still kin to us. Like daughters who have been married off, they will continue to enjoy our service." "While doing a better job in serving Overseas Chinese who have long been settled down abroad, we are going to show greater concern for and render better service to those who have just migrated abroad, assisting them in settling down there." He also noted: "We serve all new Chinese immigrants, from Mainland China, Taiwan, Hong Kong, or Southeast Asia." His remarks show that China will

extend its service to Overseas Chinese from all strata of different origins, while shifting its focus from China to overseas in regard of Overseas Chinese affairs.

It is expected that Liao Hui and Lin Shuilong's visits abroad will possibly result in remarkable progress in China's efforts concerning Overseas Chinese affairs. The Overseas Chinese Affairs Office will evaluate and review its work in light of the information they have gathered and the opinions they have solicited during their trips, and then adopt some measures to improve it. Liao Hui said: "Overseas Chinese affairs mean service to Overseas Chinese." He also said that his office "will study all kinds of difficulties that Overseas Chinese are facing and extend necessary assistance to them as far as it can." Lin Shuilong also pledged "to provide Chinese economic information and consultative service to Overseas Chinese businessmen and assist them in establish business ties with Mainland China; to continue to extend strong support for Overseas Chinese in their efforts to promote education in the Chinese language; and to continue to improve all kinds of service to Overseas Chinese who return to China on a home visit or sightseeing tour." Thus it can be seen that China will further improve its service to Overseas Chinese and foreigners of Chinese descendant when shifting its focus abroad with regard to Overseas Chinese affairs.

### United States & Canada

**U.S.-Chinese Trade Prospect Conference Noted**  
*HK0512023488 Beijing RENMIN RIBAO in Chinese*  
1 Dec 88 p 7

[Dispatch by reporter Cang Lide (0221 4539 1795): "U.S. International Conference on Prospects and Opportunities for Trade With China Urges Greater U.S.-Chinese Economic, Trade Cooperation"]

[Text] Washington, 29 Nov—China's historic changes since the 3d Plenary Session of the 11th CPC Central Committee have brought about an unprecedented, rapid development in foreign economic and trade relations. China's trade with the United States and the East Asian region, in particular, has grown most obviously. This opinion was expressed by participants at the international conference on "Prospects and Opportunities for Trade With China" held at Makem (7456 4430 1191) Center, University of Miami, in the United States.

Many people talked about further expanding economic and trade relations between China and the United States at the meeting. William Primosch and Geoffrey Lee, officials of the State Department and the Commerce Department of the U.S. Government in charge of economic affairs relating to China, said that China's continuing market-oriented economic reform is the most important guarantee for the expansion of U.S.-Chinese trade, and the key to the establishment of the market mechanisms lies in successful price reform. The U.S.



side should open its market further, resist the protectionist tendency at home, relax the restraints on technology exports to the PRC, support China's plan to become a member of GATT, and treat the issue of loans provided for importers and exporters from both sides seriously. David Lampton, chairman of the National Committee for U.S.-Chinese Relations, said that the United States has shifted its attention from merely military security to economic security. China is the most rapidly developing country in the Third World, and is a potentially large economic power; the United States must win a considerable share of the Chinese market.

Professor Hsueh Chun-tu of the University of Maryland and others said that at present, the United States, China, and the Soviet Union are all simultaneously seeking bilateral rapprochement for the first time in the postwar period. The improvement of Sino-Soviet relations will not have a negative influence on Sino-U.S. relations. This provides a major historical opportunity for the expansion of U.S.-Chinese economic cooperation.

Professor Cheng Chih-yen of the Chinese University of Hong Kong, analyzed the contribution of Overseas Chinese capital to the economic development of China's coastal areas.

This international conference was sponsored and organized by Chen Fu-lin, professor of History at the University of Miami. Those attending the conference included dozens of experts, scholars, government officials, and enterprise representatives from the United States, China, and Hong Kong.

### **Soviet Union**

#### **Foreign Minister Qian Qichen Ends Moscow Visit**

**Second Round Talks End**  
*OW0212190188 Beijing XINHUA in English*  
*1837 GMT 2 Dec 88*

[Text] Moscow, December 2 (XINHUA)—Chinese Foreign Minister Qian Qichen and his Soviet counterpart Eduard Shevardnadze this afternoon ended their second-round of talks focusing on bilateral relations including economic cooperation.

In their talks, the two ministers frankly exchanged views on important issues in relations between China and the Soviet Union, reliable sources said. Qian said China is pursuing a policy of opening to the outside world, not only towards the West but also to the East, not only to capitalist countries but also to socialist countries, and not only to the developed nations but also to the developing nations.

Of course, Qian continued, this policy is also applicable to the Soviet Union. There exist great potentialities in Sino-Soviet economic cooperation, he said.

The Chinese foreign minister said China favors expanding bilateral trade-economic ties on the basis of equality and mutual benefits.

Shevardnadze said the Soviet Union is also carrying out economic opening policy. There exist great possibilities in Soviet-Chinese economic cooperation with diverse forms including joint ventures, he added.

**Gorbachev, Qian Comment on Summit**  
*OW0212165988 Beijing XINHUA in English*  
*1620 GMT 2 Dec 88*

[Text] Moscow, December 2 (XINHUA)—Soviet leader Mikhail Gorbachev and visiting Chinese Foreign Minister Qian Qichen said the possibility exists that the Sino-Soviet summit could be held in the first half of 1989.

The two sides agreed in a meeting here this morning to start serious preparations for the summit.

Qian arrived on Thursday [1 December] for a three-day official visit to Moscow.

The two also agreed that Soviet Foreign Minister Eduard Shevardnadze will pay a return visit to China early next year.

Qian extended greetings to Gorbachev from Chinese leaders and stressed the importance of normalizing Sino-Soviet relations, promoting world peace and settling the Kampuchean conflict.

Qian said that a settlement in Kampuchea will benefit China and the Soviet Union, and provide regional peace and stability for the people of Vietnam and Kampuchea as well.

China and the Soviet Union should set up a new state relations based on the five principles of peaceful co-existence.

Gorbachev expressed his country's hope for normalized Sino-Soviet relations and for a Kampuchean settlement as quickly as possible.

He also briefed Qian on the Soviet reform program.

**Further on Comments**  
*OW0212184988 Beijing XINHUA Domestic Service*  
*in Chinese 1501 GMT 2 Dec 88*

["Local broadcast news service;" by reporter Tang Xiuzhe]

[Text] Moscow, 2 Dec (XINHUA)—Gorbachev, general secretary of the CPSU Central Committee and chairman of the Presidium of the Supreme Soviet of the USSR, had a talk with Chinese Foreign Affairs Minister Qian



Qichen at the Kremlin this morning on the normalization of Sino-Soviet relations and other issues of mutual concern. They maintained that a Sino-Soviet summit during the first half of 1989 is possible.

Prior to the meeting, Gorbachev, answering reporters' questions concerning a Sino-Soviet summit, said: "I think everything is going very well and normally. We are about to discuss these questions. I believe that it is in the interest of our two peoples." He added that "we are pleased with the improvement of our two countries' relations."

During the meeting, Foreign Minister Qian Qichen conveyed Chinese regards to General Secretary Gorbachev. He stressed the importance of eliminating the hot spot of Cambodia as quickly as possible in order to normalize the relations between the two countries and expedite the trend of world detente. He also hoped that China and the Soviet Union will work hard together so that this issue can be settled as early as possible.

Qian Qichen pointed out that the settlement of the Cambodian issue is good for China and the Soviet Union, for the stability and peace in the region, and for the Vietnamese and Cambodian peoples. He also stressed that China and the Soviet Union should establish new state relations on the five principles of peaceful coexistence.

Gorbachev thanked the Chinese leaders' for their regards and asked Foreign Minister Qian Qichen to convey his regards to the Chinese leaders. He reiterated that the Soviet Union hopes that relations between the two countries can be normalized as early as possible. Gorbachev said that all circumstances show that it is time to settle the Cambodian issue, and that it is the hope of the Soviet Union that this issue can be settled as soon as possible. Gorbachev indicated that the Soviet Union is willing to establish new relations with China on the basis of the principles of peaceful existence and other principles [he ping gong chu deng yuan ze 0735 1627 0364 5710 4583 0626 0463].

Gorbachev also gave Qian Qichen a detailed report on the progress of restructuring in the Soviet Union.

During the meeting, both sides also discussed the issue of a Sino-Soviet summit, and agreed to make earnest preparations for the meeting. Both sides agreed that Foreign Minister Shevardnadze will visit China early next year.

Present at the meeting were Soviet Foreign Minister Shevardnadze, Soviet Ambassador to China Troyanovsky, and Chinese Ambassador to the USSR Yu Hongliang.

### 3d-Round Talks Held

OW0312150788 Beijing XINHUA in English  
1430 GMT 3 Dec 88

[Text] Moscow, December 3 (XINHUA)—Visiting Chinese Foreign Minister Qian Qichen and his Soviet counterpart Eduard Shevardnadze held their third round of talks here today on issues of mutual concern.

Qian, who arrived here Thursday for a three-day visit, said that the world now is dominated by trends of negotiation, the easing of tension, peace and development as well as reforms in socialist countries.

Such tendencies have contributed to world peace and the establishment of new orders of international politics, he said.

The development of history proves that group politics and hegemonism will lead the world nowhere, he said, adding that a country must promote its economic, scientific and cultural development before playing an active role in international affairs.

Qian said that the growing gap between developing and developed nations is an acute issue which concerns a series of problems such as foreign debt, poverty and trade protectionism.

The settlement of these problems will be out of the question without common efforts of the international community and the set-up of a new international economic order, Qian said.

Shevardnadze briefed Qian on the Soviet stand on arms reduction and recent developments in Soviet-U.S. disarmament talks.

The two ministers also exchanged views over the Afghanistan issue and the situation in the Asian-Pacific region.

The Chinese foreign minister expressed satisfaction with the results of his visit, saying that his tour to Moscow is the start of normalization of Sino-Soviet relations.

"Of course," he said, "we still have lots of work to do."

### Honored at Banquet

OW0312075788 Beijing XINHUA in English  
0645 GMT 3 Dec 88

[Text] Moscow, December 2 (XINHUA)—Qian Qichen, the first Chinese foreign minister to visit Moscow in 31 years, today described his visit as "significant in promoting the normalization of relations between the two countries."

Speaking at a banquet here in his honor by Soviet Foreign Minister Eduard Shevardnadze, Qian said that "normalization of relations between China and the Soviet Union not only conforms to the interests of the two peoples, but is conducive to peace and development in the world."

Qian, who arrived here Thursday for a three-day official visit, has already had two rounds of talks with his Soviet counterpart and met with Soviet leader Mikhail Gorbachev this morning.

"We have seriously and frankly exchanged views over the normalization of relations between the two nations and other issues of common interests," Qian said.

He said that these meetings "have increased our understanding of each other's stands and common points."

"As long as the two sides are sincere and do not sidestep differences," he said, his Moscow trip will surely "make contribution to promoting the process of normalization of Sino-Soviet ties."

Sino-Soviet relations have experienced periods of friendship as well as serious setbacks in the past decades. The two nations started political consultations on the normalization of relations at the vice-ministerial level in October 1982 and resumed talks on border issues in February 1987.

However, Qian said, the two countries "have failed to make proper progress in removing obstacles standing in the way of bilateral ties" despite joint efforts made in easing tension between the two countries and increasing mutual understanding as well as developing economic ties.

Qian said that the two sides met in Beijing last August to discuss the Kampuchean problem and that the working meetings have paved the way for his present trip.

"As the two days of talks indicate, the Kampuchea issue remains the major topic of our work," Qian added.

He said, "Our two sides believe that it is necessary to have a Sino-Soviet summit, which will be a major event in the bilateral relations and in the international relations as well."

However, Qian said, the summit "requires serious preparations." His current visit to Moscow, to be followed by a return visit by Soviet Foreign Minister Shevardnadze early next year, are the major parts of these preparations, Qian added.

The Chinese foreign minister reiterated that China pursues an independent and peaceful foreign policy, saying that the two nations should set up new state relations based on the five principles of peaceful co-existence, and economic relations based on equality and mutual benefits.

Soviet Foreign Minister Shevardnadze said in his speech that Gorbachev's meeting with the Chinese foreign minister indicates "a new quality in Soviet-Chinese relations."

"Improved Soviet-Chinese relations will be helpful to the normalization of international relations, especially of relations among countries in the Asian-Pacific region.

In the past few years, the Soviet foreign minister said, the relations between the Soviet Union and China have improved remarkably. "Both countries hope to consolidate peace and security in the whole world," he added.

The Soviet Union hopes to steadily develop relations with China in all fields by eliminating past negative elements, Shevardnadze said.

Shevardnadze said that the normalization of Soviet-Chinese relations is "an inalienable part of our new thinking of politics."

At the same time, he pointed out, "Only on the basis of reality could Soviet-Chinese relations become better, because today's world is quite different from what it was 30 or 40 years ago."

Shevardnadze said the Soviets believe that the development of Soviet-Chinese ties "will not, and should not, create obstacles to relations of either side with a third nation or an alliance."

#### Further on Banquet

HK0412003788 Beijing XINHUA Hong Kong Service  
in Chinese 0907 GMT 3 Dec 88

[Report by Zhu Chengjun (4555 2110 6511): "Chinese, Soviet Foreign Ministers Discuss Sino-Soviet Relations at a Banquet"—XINHUA headline]

[Text] Moscow, 2 Dec (XINHUA)—This evening, at a banquet hosted by the Soviet foreign minister in his honor, Chinese Foreign Minister Qian Qichen said: China and the Soviet Union agree that they need to have a Sino-Soviet high-level meeting [zhong su gao ji hui wu 0022 5685 7559 4787 2585 2524], which will be a major event regarding the relations between the two countries and current international relations.

At the banquet this evening, Soviet Foreign Minister Shevardnadze delivered his speech first, in which he expressed genuine pleasure over the first visit by a Chinese foreign minister to the Soviet Union in 30 or so

years. He said: Today, Soviet leader Gorbachev met Foreign Minister Qian. This is an "indicator of the new quality of Sino-Soviet relations."

Speaking on the Soviet Union's current reforms, Shevardnadze said: The road of reforms is a complicated one. However, "we have no other roads to take. We are trying unrelentingly and by giving it as much thought as possible to make this road smooth. We also study and try to learn from the experience of other communist states." The Soviet Union has also diverted its attention to China and is watching with great interest the progress of China's reforms. We wish the Chinese people great victories on this road.

The Soviet foreign minister pointed out: In the course of their reforms, both China and the Soviet Union are increasingly aware of the importance of relaxation and peace and the increasingly important role played by dialogue in improving the international situation. It is precisely on the basis of this position that the Soviet Union is considering lifting the political dialogues with China to the highest level. Shevardnadze expressed hope that Sino-Soviet relations in various fields will steadily develop on a firm and long-term basis; that all past negative elements will be eliminated; that in their relations, the two countries can eventually establish trust and will observe such principles as respecting each other's independence, sovereignty, and territory, equality, and noninterference in each other's internal affairs, and will respect each other's interests, viewpoints, experience, and practice; that peace and stability will be maintained on the borders between the two countries; that the two countries will carry out fruitful and mutually beneficial economic cooperation; and that they will try, without compromising each other, to infuse more mutual understanding into efforts to settle global and regional issues. In addition, he suggested that "Sino-Soviet relations must be based on present realities, because the world is no longer what it was 30 or 40 years ago."

Shevardnadze expressed his belief that the development of Sino-Soviet relations "will not and should not obstruct their relations with a third country, their allies, and friends." "Improved Soviet-Chinese relations will contribute to making the entire international climate and international relations in the Asia-Pacific region and in the world more healthy."

The Soviet foreign minister said: "In international matters, China pursues the principle of independence and keeping its initiative in its own hands and gives priority to considering the questions of upholding peace universally and protecting development. The Soviet Union will properly evaluate all this."

He said: The Soviet Union firmly believes that under present circumstances, attempts to settle regional conflict by military means will not work. In deciding on its

position on the Afghan, Cambodian, Middle East, Southern African, and Central American issues, the Soviet Union proceeded precisely from this point.

In his reply speech, Foreign Minister Qian Qichen said that during his talks with Shevardnadze and his meeting with Gorbachev, he had earnestly and frankly exchanged views with them on the normalization of the relations between the two countries and on other matters of common concern and, through their discussion, they had enhanced mutual understanding and expanded their common ground. He expressed his hope and belief that so long as both sides are sincere and do not evade differences, but continue to work hard, this current visit will definitely contribute to the process of the normalization of the relations between the two countries.

Qian Qichen said: "In recent years, thanks to their joint efforts, the relations between the two countries have improved somewhat. This is heartening. However, the progress we have made still falls short of the expectations of their people and the requirements of the times."

He pointed out that China and the Soviet Union have covered some distance in the direction of normalization. "Consultations between the vice foreign ministers of the two countries began in October 1982, and much has been done to relax the tension in relations, to enhance mutual understanding, and to develop economic relations. However, corresponding progress has not been made in eliminating the obstacles to the relations between the two countries. The serious discussion at the Sino-Soviet work meeting held in August this year on the Cambodian issue created conditions for this visit. During this visit, as evidenced by what happened at the talks over the past 2 days, the Cambodian issue will remain our major topic of discussion."

The Chinese foreign minister stressed: "The current international situation shows a trend toward the replacement of confrontation by dialogue. Peace and development are becoming two strong and irresistible historical trends in the contemporary world. The peoples of both China and the Soviet Union are preoccupied with internal reforms and construction. The normalization of Sino-Soviet relations is in the fundamental interest of their peoples and is beneficial to world peace and development." He pointed out: To hold a Sino-Soviet summit [zui gao ji hui wu 2584 7559 4787 2585 2524], it is undoubtedly necessary to make serious preparations. His current visit and the Soviet foreign minister's China visit in the near future are an important part of these preparations.

Finally, Foreign Minister Qian said: "The Chinese Government unswervingly pursues its foreign policy of independence and keeping its initiative in its own hands. Under new historical conditions, we should explore and establish a new type of Sino-Soviet relations that are in conformity with the trends of the times. This means the establishment of good neighborly relations based on the



five principles of peaceful coexistence and economic relations based on equality and mutual benefit. Only by genuinely basing our relations on all this can we keep Sino-Soviet relations steadily and normally developing and play a positive role in upholding world peace and stability."

Also present at the banquet this evening were First Deputy Chairman of the Presidium of the Supreme Soviet Lukyanov, Chinese Ambassador to the Soviet Union Yu Hongliang, and others.

#### Ministers' Talks End

OW0312163488 Beijing Television Service in Mandarin  
1400 GMT 3 Dec 88

[Text] The talks between Chinese and Soviet Foreign Ministers came to an end in Moscow today.

Foreign Minister Qian Qichen and Foreign Minister Shevardnadze continued their exchange of views on some important issues of mutual concern in their third round of talks today.

Foreign Minister Qian said: There appears in the world today an historical trend of confrontation becoming dialogue, the easing of tension, the people wanting peace and development, and socialist countries universally carrying out reforms. Such a general trend is conducive to maintaining world peace. It has also created the necessary conditions for establishing new orders of international politics.

Foreign Minister Qian said: The development of history proves that relying on military strength to practice group politics and hegemonism won't do. A country must promote its economic, scientific and cultural development before it can enhance its national strength and play an active role in international affairs.

Foreign Minister Qian pointed out: In South-North relations in the economic field, the growing gap between developing and developed nations is an acute issue which concerns a series of problems such as foreign debt, poverty and trade protectionism. The settlement of these worldwide problems will be out of the question without common efforts of the international community and the establishment of a new international economic order.

Foreign Minister Shevardnadze said: In the last few years, there indeed have been great changes in the international situation. The Soviet Union's appraisal of these changes is similar to that of China.

Foreign Minister Shevardnadze briefed Qian on the Soviet stand on arms reduction and banning chemical weapons, and on the status of U.S.-Soviet talks.

The two ministers also exchanged views on the Afghanistan issue and the situation in the Asian-Pacific region.

Foreign Minister Qian Qichen expressed his thanks for the warm welcome and reception accorded him by the Soviet side during his visit. He said he was satisfied with the results of his visit.

Foreign Minister Qian said: This visit is the start of normalization of relations between the two countries. Of course we still have lots of work to do.

Foreign Minister Shevardnadze said: The visit is successful, drawing very good comments from the Soviet people and world public opinion, and deserving our congratulations.

The two foreign ministers said that they were looking forward to their meeting again in Beijing.

#### New Relations Clarified

LD0312204888 Beijing XINHUA in English  
1835 GMT 3 Dec 88

[Text] Moscow, December 3 (XINHUA)—New relations between China and the Soviet Union should be based on the five principles of peaceful coexistence, Chinese Foreign Minister Qian Qichen said today.

"In more than 40 years, relations between China and the Soviet Union have experienced different periods of change. In the 1950s, the relations were the ones of alliance, and there was also a period of confrontation," Qian told a press conference here this afternoon.

He said, "It is not necessary for us to go back to the level of relations [words indistinct] we cannot allow further confrontation as well.

"When we speak about the relations of a new type," Qian continued, "we mean political relations which are based on the five principles of peaceful coexistence."

He made the remarks in answering questions about what he meant by telling Soviet leader Mikhail Gorbachev Friday that China and the Soviet Union should establish relations of a new type.

Asked about economic relations between the two countries, Qian said that there are broad prospects.

He said, "There are great capabilities concerning border trade and exploration of the (economic potential of the) Soviet Far East.

"We deem it possible to set up joint ventures in developing the region in the Soviet Far East," the minister added.

He said China can also provide the Soviet Union with labor services.

During his three-day visit to Moscow, Qian had more than eight hours of talks with his Soviet counterpart, Eduard Shevardnadze, and Gorbachev. His meeting with Gorbachev in the Kremlin Friday lasted more than an hour and a half.

Their talks centered on the Kampuchean problem and normalization of relations between China and the Soviet Union, he said, describing his visit, the first of its kind in more than 30 years, as "fruitful."

Asked about differences between China and the Soviet Union on the Kampuchean problem, Qian said some differences between the two countries may remain on the problem.

"I think that it's an objective fact that we have differences. And it will be surprising that if there is no difference," the Chinese minister said. But, "we try to narrow these differences."

Qian is to leave Moscow for home tonight.

**Qian 'Satisfied' With Visit**  
*OW0412020588 Beijing XINHUA in English*  
0141 GMT 4 Dec 88

[Text] Moscow, December 3 (XINHUA)—Chinese Foreign Minister Qian Qichen said Saturday [3 December] that he is satisfied with the result of his Moscow tour and that the visit has achieved the expected target.

In a short statement to the Soviet television at the end of his three-day visit, Qian said: "I am satisfied that during my visit we reached the goals which we had expected."

Qian said that the continued process for normalizing the Sino-Soviet relations is "a gratifying fact for our two peoples and it accords with the basic interests of the Chinese and Soviet peoples."

Qian, who is the first Chinese foreign minister to visit Moscow since the late Chinese Premier and Foreign Minister Zhou Enlai visited the Soviet Union more than 30 years ago, had intensive talks with his Soviet counterpart Eduard Shevardnadze in the past three days. The talks totalled six and half hours.

Before his departure Saturday afternoon, Qian told a press conference that his talks with Shevardnadze had focused on the Kampuchea issue and on the normalization of Sino-Soviet relations.

He described these talks as "resultful."

He told the conference that the two sides had "deeply discussed the Kampuchean problem and multiplied the points of commonality." But he did not give any details. Meanwhile, he said differences between the two countries on the Kampuchean issue still remain and that "some differences can continue to exist."

He said that his visit means "a start of a process for fully normalizing relations between the two countries."

On Friday, the Chinese foreign minister had a meeting with Soviet leader Mikhail Gorbachev in the Kremlin, and the meeting lasted for 100 minutes. Qian described the meeting as "a substantive one" and said both sides believe that there exists the possibility for a Sino-Soviet summit meeting, which is expected to be held in the first half of 1989.

Both China and the Soviet Union have agreed to start serious preparations for such a summit and are viewing Qian's Moscow tour as part of the preparations.

It is worthy to note that both countries have agreed that their future relations should be of a "new type," mainly based on the five principles of peaceful coexistence.

In order to continue discussions on international and bilateral issues and to make further preparations for a summit meeting, Shevardnadze is to go to Beijing early next year for an official visit, the first since former Soviet Foreign Minister Andrey Gromyko visited China in 1959.

**Shevardnadze Praises Relations**  
*OW0412074088 Beijing XINHUA in English*  
0629 GMT 4 Dec 88

[Text] Moscow, December 4 (XINHUA)—Soviet Foreign Minister Eduard Shevardnadze praised the improvement of Sino-Soviet relations Saturday [3 December], saying the ties are entering a new "phase of realism."

In an interview with the official Soviet news agency TASS following his talks with Chinese Foreign Minister Qian Qichen, Shevardnadze said that the discussion of bilateral relations had naturally dominated his talks with his Chinese counterpart.

Beginning Thursday, the Chinese foreign minister conducted a three-day official visit to Moscow, the first by a Chinese foreign minister to the Soviet Union in 31 years. Qian described his visit as "fruitful" on his departure Saturday.

In the interview, Shevardnadze said that the two sides had reached an understanding on holding a Sino-Soviet summit early next year and said the summit would undoubtedly mark the beginning of a new phase in Sino-Soviet relations and the upgrading of ties to a qualitative level.

He said the summit will have positive effects on the international situation.



The Soviet foreign minister said the talks had been conducted in an atmosphere of truth, frankness and goodwill and that instead of being restricted by the agenda previously set, both sides had put forward problems they thought worth discussing.

On the Kampuchean issue, Shevardnadze said that both sides agreed there have been suitable conditions for eliminating the conflicting situation.

On the settlement of regional conflicts, Shevardnadze said that both sides believe the trend of dialogue is overwhelming that of confrontation and the policy of force is giving way to political measures.

#### News Conference Held

OW0412133588 Beijing International Service  
in Mandarin 0900 GMT 4 Dec 88

[Text] Chinese Foreign Minister Qian Qichen left Moscow for home on the evening of 3 December after concluding his 3-day official visit to the Soviet Union. He was seen off at the airport by Soviet Foreign Minister Shevardnadze.

Foreign Minister Qian held a news conference at 1600 Moscow time, 2100 Beijing time, on 3 December at the Soviet Foreign Ministry Press Center.

At the beginning of the news conference, Foreign Minister Qian gave a briefing on his 3-day visit to the Soviet Union. He said: During this visit, the two sides discussed the current international situation and the question of Sino-Soviet relations. The Cambodian issue and the question of normalizing Sino-Soviet relations were the focus of the talks.

Foreign Minister Qian noted that the talks between the two sides would be continued and that he had invited Foreign Minister Shevardnadze to visit China early next year at a time the latter thinks convenient for such a trip.

Referring to a Sino-Soviet summit, Foreign Minister Qian stated: Both sides deem it necessary to hold such a summit. Preparations for the summit have now begun. It is possible that a summit will be held in the first half of next year.

At the news conference, Foreign Minister Qian answered questions asked by reporters from various countries.

In response to questions asked by our station reporter with regard to the major achievements of his visit to the Soviet Union and new breakthroughs in Sino-Soviet relations, Foreign Minister Qian asserted: My visit means a start to the process of normalizing relations between the two countries. This process begins with my visit, which will be followed by the Soviet foreign minister's visit to China and a summit between the two

countries now under preparation by the two sides. This is a process to fully normalize Sino-Soviet relations. Now marks the beginning of the process. This is the major achievement of my visit.

With regard to the Cambodian issue, Foreign Minister Qian said that both sides had strengthened their mutual understanding of the political settlement of this issue and had multiplied the points held in common.

When asked by a reporter if China is prepared to hold direct talks with Vietnam, Foreign Minister Qian replied: As early as March 1983, China announced publicly that if Vietnam withdraws its troops from Cambodia unconditionally, then we will hold direct talks with it. But this condition has so far not materialized.

#### Departs Moscow

LD0312203588 Beijing XINHUA in English  
1848 GMT 3 Dec 88

[Text] Moscow, December 3 (XINHUA)—Chinese Foreign Minister Qian Qichen ended his three-day official visit to the Soviet Union and left here for home tonight.

He was seen off at the airport by his Soviet counterpart Eduard Shevardnadze, Deputy Foreign Minister Igor Rogachev and other high-ranking Soviet officials.

Present at the airport was also Chinese Ambassador to the Soviet Union Yu Hongliang.

#### Returns to Beijing

OW0512004088 Beijing Domestic Service in Mandarin  
2200 GMT 4 Dec 88

[Text] Foreign Minister Qian Qichen returned to Beijing by plane early on the morning of 5 December after concluding a 3-day official visit to the Soviet Union on 3 December.

During his visit, Qian Qichen held three rounds of talks with his Soviet counterpart Shevardnadze on a wide range of issues, especially on Cambodia and normalization of Sino-Soviet relations.

Soviet leader Gorbachev met with Qian Qichen.

The visit has produced significant results [zhong yao cheng guo] in striving for an early settlement of the Cambodian question, improving bilateral relations, and paving the way for a Sino-Soviet summit.

The Chinese foreign minister was very pleased with these results. Before departure, he told reporters: I believe my visit has been fruitful.

## Sino-Soviet Foreign Minister Meetings Viewed

### 'New Type' Relations Needed

OW0312133688 Beijing XINHUA in English  
1244 GMT 3 Dec 88

["News Analysis: A Visit Promoting Sino-Soviet Relations (by Tang Xiuzhe)"]—XINHUA Headline]

[Text] Moscow, December 3 (XINHUA)—During his visit to the Soviet Union from December 1 to 3, Chinese Foreign Minister Qian Qichen held three rounds of talks with his Soviet counterpart, Eduard Shevardnadze, and met for two hours with Soviet leader Mikhail Gorbachev.

Both sides expressed satisfaction with the visit, which they said contributed to the normalization of relations between the two countries. They also agreed that a new type of bilateral relations should be established.

After a friendly period of Sino-Soviet relations during the 1950s, serious setbacks in the next decade left the two countries at odds until relatively recently. And the relations between the two countries have improved in the past few years due to the joint efforts.

During the Chinese foreign minister's visit, both sides acknowledged that their relationship could not revert to what it had been in the 1950s, but that a new one should be established on the principles of peaceful coexistence.

At a banquet welcoming Qian, Shevardnadze said that the Soviet Union and China should adopt principles of mutual trust, respect for each other's independence, sovereignty, territorial integrity and equality; non-interference in each other's internal affairs, and respect for each other's interests, opinions, experiences and practices.

In response, Qian said that "in the new historical conditions, it is necessary to approach to a new type of relations that conforms to the trend of the times, that is, good-neighborly relations founded on the five principles of peaceful coexistence and economic relations on equality and mutual benefit." [sentence as received]

It is obvious that both countries now agree that only the establishment of guidelines for relations between them will keep them soundly developing and in turn playing an active role in safeguarding world peace and stability.

Both sides agreed that the Kampuchean issue should be resolved justly and reasonably and as quickly as possible. In his meeting with Qian, Gorbachev said that viewed from all aspects, it is time that the Kampuchean issue should be solved and that the Soviet Union also hoped it should be solved as early as possible.

Foreign Minister Qian also invited his Soviet counterpart, Shevardnadze, to visit China early next year. The mutual visits of the two foreign ministers are partially to prepare for a summit meeting between their national leaders, and both agreed that it would be possible to hold such a summit in the first half of 1989.

Generally, people here appear to welcome the normalization of Sino-Soviet relations. People have noticed that a shift from confrontations to dialogues has emerged in the international situation, and peace and development have become the irresistible trend in the world today.

Over regional conflicts, it appears that political consultation is preferred to military confrontations. In the meantime, China and the Soviet Union are both committed to reform in their own countries.

Against this general background of the times, normalization of relations between China and the Soviet Union not only conforms to the interests of the two peoples, but is conducive to stability in the Asian-Pacific region and to the peace and development of the world.

Of course, many problems remain to be solved, requiring the continued common efforts of both countries.

### 'News Analysis' of Visit

HK0412010088 Beijing XINHUA Hong Kong Service  
in Chinese 1557 GMT 3 Dec 88

["News Analysis" by XINHUA reporter Tang Xiuzhe (0781 0208 0772): "An Important Visit for Promoting the Normalization of Sino-Soviet Relations"]

[Text] Moscow, 3 Dec (XINHUA)—Chinese Foreign Minister Qian Qichen said an official visit to the Soviet Union from 1 to 3 December. He held three rounds of talks with Soviet Foreign Minister Shevardnadze and also had an important talk, lasting nearly 2 hours, with CPSU Central Committee General Secretary and Supreme Soviet President Gorbachev. The Chinese and Soviet sides have expressed satisfaction over this visit, holding that it was useful [you yi 2589 4135] and also an important visit for promoting the normalization of Sino-Soviet relations.

This visit yielded the following important results:

First, the two sides stated that China and the Soviet Union should establish a new style of bilateral relationship.

As everyone knows, in the past there was a period of friendship between China and the Soviet Union, but serious setbacks also occurred, and relations between the two countries have been abnormal for a long time. In recent years, thanks to the common efforts of the two sides, relations between them have shown certain improvement. During the Chinese foreign minister's visit to the Soviet Union, the two sides stated that

normalizing relations between them does not mean going back to the 1950's but establishing a new style of relationship based on the principles of coexistence and so on. Shevardnadze pointed out that in Sino-Soviet relations the principles of mutual trust, mutual respect for independence, sovereignty and territorial integrity, equality, mutual noninterference in internal affairs, and mutual respect for each other's interests, views, experiences, and practice should be established. Qian Qichen emphasized, "In the new conditions of history, we should explore the establishment of a new style of relationship conforming to the tide of the times, that is, the establishment of good-neighborly relations based on the five principles of peaceful coexistence and economic relations based on equality and mutual benefit." It is obvious that only by laying down the principles for the relationship between the two countries can relations between them develop in a sustained and normal way and play a positive role in preserving world peace and stability.

Second, the Cambodian issue was an important topic in the Sino-Soviet talks during Foreign Minister Qian Qichen's visit. The two sides held that this problem should be resolved in a just and reasonable way as soon as possible. Gorbachev said when meeting Qian Qichen, viewed from all aspects, it is now time to resolve the Cambodian problem, and the Soviet Union also hopes to resolve this problem as soon as possible.

Third, this visit has started a new advance in normalizing Sino-Soviet relations. During the visit, Foreign Minister Qian Qichen invited Foreign Minister Shevardnadze to visit China early next year. The two sides held that it will be possible to hold a Sino-Soviet summit meeting in the first half of 1989. The mutual visits of the two foreign ministers are precisely in preparation for this summit.

People here universally welcome the fact that a major step forward has been taken in normalizing Sino-Soviet relations. People note that a new trend has recently appeared in the international situation in which confrontation is turning to dialogue and tensions are easing, and peace and development have become an irresistible historic tide in the world today; in regional conflicts, a new trend has emerged of switching from military confrontation to political settlement; and at the same time, China and the Soviet Union are both devoting efforts to domestic reforms. Against this general background of the times, the normalization of Sino-Soviet relations is in the fundamental interests of the peoples of these neighboring countries, and is also favorable for stabilizing the situation in Asia and the Pacific region and for world peace and development. Of course, it is also held that there still exist certain problems between China and the Soviet Union that await solution; hence, the two sides must continue to make concerted efforts.

#### Paper Views Relations

HK0312031688 Hong Kong TA KUNG PAO in Chinese  
3 Dec 88 p 2

["Political Talk" column by Shih Chun-yu (2457 0689 3768): "Three Points of Common Understanding Between Gorbachev and Qian Qichen"]

[Text] At their meeting in the Kremlin yesterday, Mikhail Gorbachev, general secretary of the CPSU Central Committee, and Foreign Minister Qian Qichen concentrated their discussion on three topics, which will surely draw the attention of the world. First, both parties hold that it is possible to hold a Sino-Soviet top-level (zui gao ji 2584 7559 4787) meeting in the first half of next year. Second, both parties hold that it is necessary to solve the Cambodian issue as quickly as possible. Gorbachev explicitly said: "Viewed from various conditions, it is time to solve the Cambodian issue." Third, they both stress that China and the Soviet Union will establish a new type of state relationship under the principle of peaceful coexistence.

The three points of common understanding have been reached through the long-term efforts of both parties and according to the new developments in the international situation.

Vietnam has invaded Cambodia for 10 years. Most countries in the world, as well as the United Nations, have passed resolutions many times, pointing out that the key to the solution of the Cambodian situation is the withdrawal of Vietnamese troops from Cambodia as soon as possible. Today, the solution of the Cambodian situation remains essentially the same despite all apparent changes, namely, it cannot depart from this precondition. The theme of Qian Qichen's current visit to the Soviet Union is still Cambodia. On many occasions in the past, the Soviet attitude was that, since the Vietnamese-Cambodian issue was the affair of foreign countries, it would not discuss this issue with China. Hanoi has even stuck to its false reasoning: Foreign countries must stop aiding Democratic Kampuchea and China, in particular, must stop aiding the "Khmer Rouge." Only then will it withdraw its troops.

This time, Qian Qichen once again indicated that, if Vietnam pulls out its troops from Cambodia, China will no longer assist (zhi yuan 2388 2266) Democratic Kampuchea. It is precisely because of the invasion of Cambodia by Vietnamese troops that other countries have supported Democratic Kampuchea in resisting Vietnam. The rights and wrongs of this issue are extremely simple in the first place. Hanoi has relied on Soviet aid to carry out its 10-year invasion of Cambodia; Democratic Kampuchea has relied on China, the United States, Thailand, and other Western countries to resist Vietnam. After a trial of strength for 10 years, Vietnam has found out that it is impossible to swallow Cambodia by military force and the Soviet Union has also realized the heavy burden. Since the Soviet Union and China have moved from



behind the scene to the conference table and held a direct dialogue on the Cambodian issue, the problem can be handled much more easily. After solving the Cambodian issue, which constitutes the main obstacle to the normalization of Sino-Soviet relations, the two countries will naturally discuss the question of what kind of state relationship to establish.

The future Sino-Soviet relations have always been a question closely followed by all countries in the world. During the "honeymoon period" in the early 1950's, China's policy of "leaning to one side," e.g. the Soviet Union, provided Stalin with much capital to engage in the East-West cold war. The Korean war, which lasted for over 3 years, took the edge off the U.S. troops' spirit for the first time. China also suffered considerable losses, but it was the Soviet Union that gained the greatest benefit. Apart from losing many people, China owed the Soviet Union many debts. This section of history will be further explored by historical and other academic experts, who will make an arbitration on this issue.

It is unworkable to "lean to one side." Therefore, China has stressed: After the normalization of relations, the political and economic relations between the two countries should no longer be like those in the 1950's but should be of a new type.

This remark was made by Deng Xiaoping at a meeting with President Mauno Koivisto of Finland, an old neighbor of the Soviet Union, last October. He said the new type of Sino-Soviet political and economic relations should be built on the basis of the five principles of peaceful coexistence and on equality and mutual benefit instead of infringing upon the interests of other countries.

What merits attention is that, together with his meeting with Japanese Foreign Minister Sonosuke Uno yesterday, Deng Xiaoping has twice this year proposed the establishment of a new international political order, which is based on the five principles of peaceful coexistence. Thus, a harmonious political relationship can be established between one country and another and between one continent and another.

The background of proposing the establishment of a new international political order is that the forces of peace have presently surpassed the forces of war and that a new tide of substituting dialogue for confrontation has come into being. The people of the world are universally against war and they will concentrate their attention on developing science, technology, and economy.

It cannot be denied that Deng Xiaoping's judgment has great foresight. As soon as the new international order is established and consolidated, the wide gaps between treaty blocs and between East and West can be removed and the question of disarmament can naturally be

solved. The new type of Sino-Soviet relationship will be an important link in the new international political order. It will make positive contributions to the world situation in the future.

#### 'Commentator' on Relations

OW0412080388 Beijing BEIJING REVIEW  
in English 28 Nov-4 Dec 88 pp 4, 5

[Article by guest commentator Wang Chongjie: "China, USSR on Way to Normalization"]

[Text] Chinese Foreign Minister Qian Qichen is about to go to the Soviet Union for a visit, the first to the country by a Chinese foreign minister since 1956. At the same time, people have noticed that not long ago Soviet leader Mikhail Gorbachev said his country was ready to prepare immediately for a Soviet-Chinese summit meeting. And Chinese Premier Li Peng has stated recently that "if everything goes smoothly, a (Sino-Soviet) summit will probably come about in the first half of next year." Many signs show that Sino-Soviet normalization is called for by the times.

China and the Soviet Union are neighbouring countries with the world's longest land border line between them. Since the 1950s, their relations have experienced ups and downs, presenting a very complicated picture. There have been years of friendship and periods of tense confrontation. All this had some impact on both China and the Soviet Union, as well as the world situation as a whole. Today, the world is undergoing the tremendous change from confrontation to dialogue, and from tension to relaxation. Under this circumstance, a normalized relationship between the two major powers—China and the Soviet Union—would not only conform to the fundamental interests of the people of the two countries, but also contribute to peace and stability in Asia and the world.

For years China has stood for normalization of ties with Moscow and explicitly stated that to realize normalization, the three major obstacles in the relations between the two countries must be removed. This has been the main topic of the Sino-Soviet political consultations at the vice-foreign minister level since 1982.

Currently, the crucial issue is that the Soviet Union should urge Vietnam to withdraw its troops from Kampuchea as soon as possible. The people of the world have taken notice of the fact that the Chinese and Soviet vice-foreign ministers held a special meeting on the Kampuchean question in August this year and that the meeting was followed by an exchange of views on the same issue between the foreign ministers of the two countries in the United Nations.

On September 16, Soviet leader Gorbachev in his Krasnoyarsk speech said that the Soviet Union will remain prepared to help bring about an agreement on the Kampuchean question as soon as possible. It is our hope that the Soviet Union will make earnest efforts in this respect.

China hopes to establish a long-term stable relationship of good-neighbourliness with the Soviet Union on the basis of the five principles of peaceful coexistence. Many facts prove that whether relations between states are good or bad depends not on their social systems and ideologies, but on whether they can strictly observe the five principles of peaceful coexistence. Socialist countries can hardly develop a healthy relationship among themselves if they violate these basic principles. Judging by their public statements in recent years, it appears that the Soviet leaders have become aware of this truth.

China firmly pursues an independent foreign policy for peace. It will never ally itself with any major power or bloc of powers. Sino-Soviet relations, if normalized, will not be the same as they were in the 1950s. China is willing to develop relations of friendship and co-operation with all other countries in the world on the basis of the five principles of peaceful coexistence. Neither at present nor in the future will China seek hegemony and, at the same time, it will oppose any attempt by any other country to seek hegemony.

China follows the policy of opening to the outside world. In its relations with other countries, it upholds the principles of equality, mutual benefit and common development. Recent years have seen rather rapid restoration and development of trade and economic and technological cooperation between China and the Soviet Union.

Total bilateral trade from 1981 to 1985 reached 10 billion Swiss francs, and it was 8 billion Swiss francs in 1986 and 1987. The first half of this year reported a 32 percent increase in bilateral trade over the same period last year. The two sides have done a lot for a long-term steady growth of their trade and economic and technological co-operation, and have signed some agreements in these fields. The economic and trade management reforms now going on in the two countries have provided real possibilities for developing economic and trade relations at different levels and cooperation in various forms. But, taken as a whole, the enormous potential for developing cooperation to the benefit of both nations remains to be tapped by joint efforts.

China and the Soviet Union, both socialist countries, are carrying out profound political and economic structural reforms by drawing on their experiences and lessons in their socialist construction work in the past. This also helps increase their mutual understanding.

On September 16, Gorbachev said that his country advocates an overall normalization of relations with the People's Republic of China, a relationship that reaches the level corresponding to the responsibilities the two countries have for world politics.

The Chinese leaders in their cable message congratulating Gorbachev's election as president of the Presidium of the Supreme Soviet said: "We sincerely hope that through joint efforts by the two sides, Sino-Soviet relations can constantly develop in the direction of good-neighbourliness and friendship on the basis of the five principles of peaceful coexistence."

There exists a traditional, deep friendship between the two peoples of China and the Soviet Union, and a full-scale normalization of relations between the two states is the will of the people and goes with the tide of our times.

#### Roundup of Visit

OW0512013888 Beijing Domestic Service in Mandarin  
1700 GMT 4 Dec 88

[Text] Chinese Foreign Minister Qian Qichen paid a formal visit to the Soviet Union from 1 to 3 December. This is the first visit to the Soviet Union by a Chinese foreign minister in more than 30 years. It marked the start of a process for normalizing relations between the two countries.

During his visit to the Soviet Union, Qian Qichen held three rounds of talks with Soviet Foreign Minister Shevardnadze. Soviet leader Gorbachev also met with Qian Qichen. Through talks and meetings, both sides have increased their understanding of each other's stand and enhanced their common viewpoints.

The Cambodian issue was an important topic of discussion. The two sides held in-depth discussions on this issue and both held that the Cambodian issue should be solved in a just and reasonable way as quickly as possible. Gorbachev hoped that the time has come to solve the Cambodian issue.

Both sides also discussed the question of a summit meeting between China and the Soviet Union and held that it is necessary to hold such a meeting. The Chinese foreign minister's current visit to the Soviet Union and the visit to China by the Soviet foreign minister are precisely to prepare for the realization of a summit meeting. Both sides held that it is possible that a Sino-Soviet summit meeting will be held in the first half of 1989.

What kind of relationship will exist following the normalization of relations between China and the Soviet Union? This is a question international society is following with particular interest. The current visit to the Soviet Union by the Chinese foreign minister has made clear [biao ming] that the relationship between China



and the Soviet Union in the future will not return to the alliance in the 1950's, nor will it be a relationship of confrontation as existed in the past. Qian Qichen emphatically pointed out that, under the new historical conditions, China and the Soviet Union should study a new type of relationship, commensurate with the trend of the times, namely a good-neighborly relationship based on the five principles of peaceful coexistence and an economic relationship based on equality and mutual benefit.

Shevardnadze also hoped that the relationship between the two countries would finally be based on an atmosphere [qi fen] of mutual trust and adherence to each other's principles.

**Radio 'News Analysis'**

OW0512115988 Beijing in Russian to the USSR  
1900 GMT 4 Dec 88

["International Affairs Review" news analysis:  
"Important Visit for Promoting Normalization of Sino-Soviet Relations"]

[Text] Qian Qichen, PRC minister of foreign affairs, was on an official visit to the Soviet Union between 1 and 3 December. This is the first official visit by a PRC foreign minister to the Soviet Union since 1957. During the visit he held three rounds of talks with Eduard Shevardnadze, USSR minister of foreign affairs, and held an important 2-hour discussion with Mikhail Gorbachev, general secretary of the CPSU Central Committee and president of the USSR Supreme Soviet Presidium. Both sides expressed satisfaction with the results of this visit and thought it to be a useful and important visit in facilitating the normalization of relations between the two countries.

This visit has achieved the following important successes: First, both sides expressed the desire to form new bilateral relations between the two countries. As is known, there existed (?not only ties) of friendship between China and the Soviet Union, but also serious shortcomings in the relationship. As a result of this, the relations between the two countries have been uneven for a long time. In recent years, due to efforts of both sides, relations between them have improved to some extent.

During the course of the present visit to the Soviet Union by the PRC foreign minister, both sides announced that achievement of the normalization of relations between the two countries does not mean the restoration of relations as they existed in the 1950's, but rather that relations of a new type should be formed which would be based on the five principles of peaceful coexistence.

Eduard Shevardnadze stressed that the practices and principles such as mutual trust, respect for independence and sovereignty, territorial integrity, equality, noninterference in each other's domestic affairs, as well as mutual respect for each other's interests, opinions, experiences, and practice, must be established in Sino-Soviet relations.

Qian Qichen underscored that under new historic conditions it is necessary to seek new ways to establish new relations which are consistent with the trend of our times; that is, to form good-neighborly relations on the basis of the five principles of peaceful coexistence and to create economic relations on the basis of equality and mutual benefit.

Obviously, [words indistinct] the principles and norms of bilateral relations are established can relations between the two countries develop steadily and normally and play a positive role in the defense of peace and stability in the whole world.

Secondly, the Cambodian problem occupied an important place in the discussion between the two sides during the present visit. Both sides expressed the need to achieve a just and rational solution of this problem as quickly as possible. Mikhail Gorbachev, during the meeting with Qian Qichen, noted that the time has come, regardless of the point of view, to solve the Cambodian problem. As a matter of urgency, the Soviet Union, too, wishes for the quickest possible solution of this problem.

Both sides have agreed to form a working group for further discussion so as to justly and rationally solve the Cambodian problem in the shortest time possible.

Third, this visit has opened up a new process for the normalization of Sino-Soviet relations. During the visit Qian Qichen invited Eduard Shevardnadze to visit China at the beginning of next year. Both sides deemed it possible to hold a Sino-Soviet summit meeting in the first half of next year. The exchange of visits by the foreign ministers of the two countries is specifically for the purpose of preparing for the Sino-Soviet summit meeting.

This important step in the normalization of Sino-Soviet relations has been welcomed by all. It is noteworthy that, recently, a new tendency has been noted in the international situation: A turn from confrontation to dialogue, from tension to detente. Peace and development have turned into a mighty historic current in the contemporary world.

New tendencies have also become apparent in issues pertaining to regional conflicts: A turn from armed conflict to the political solution of issues. Besides, China and the Soviet Union are exerting efforts to implement reforms and restructuring in their respective countries. Under these conditions as a whole, the achievement of

normalization of Sino-Soviet relations is consistent not only with the vital interests of the peoples of the two neighboring countries but will have a positive effect on stabilizing the situation in the Asia-Pacific region and facilitating the cause of peace and development throughout the world.

[Words indistinct] that certain obvious problems still exist between China and the Soviet Union. Efforts on both sides must be exerted to solve these problems.

### Northeast Asia

**Deng Xiaoping Meets Japan's Yoshio Sakurauchi**  
*HK0312082988 Beijing RENMIN RIBAO in Chinese*  
3 Dec 88 p 1

[Report by reporter Liu Shuiming (0491 3055 2494): "Deng Xiaoping Proposes Establishing New International Order"]

[Text] Beijing, 2 Dec—In reply to a question raised by a Japanese guest on the Chinese foreign minister's visit to the Soviet Union, Chairman Deng Xiaoping of the Central Military Commission pointed out: There is no reason why China and the Soviet Union should not improve relations. The improvement of Sino-Soviet relations will not affect the continued development of China's friendly relations with other countries. He said: The "comradely," "allied" relations between China and the Soviet Union, as those in the 1950's, are now outmoded. Now it is necessary to use the five principles of peaceful coexistence to define new Sino-Soviet relations.

Deng Xiaoping made these remarks at a meeting with the 1988 delegation of the Japanese Association for the Promotion of International Trade headed by Yoshio Sakurauchi at the Great Hall of the People this morning. A former Japanese Minister of Foreign Affairs, Yoshio Sakurauchi is now president of the Japanese Association for the Promotion of International Peace and chairman of Foreign Policy Committee of the Liberal Democratic Party. He is also one of the first Japanese Diet members to have visited New China.

Deng Xiaoping said to Sakurauchi: Now is the time to establish a new international political order. In international politics, confrontation is being replaced by dialogue and tension is being replaced by relaxation. Many new conditions have emerged. Therefore, it is necessary to put forward the theory of establishing a new international political order. He pointed out: Under the new international situation, an end has to be put to superpower hegemonism and regional hegemonism. They should use the five principles of peaceful coexistence to replace hegemonist politics. Whether in country-to-country relations or in relations between one part and another, it is necessary to use the five principles of peaceful coexistence to handle international affairs. The five principles of peaceful coexistence have vitality.

Sakurauchi spoke highly of Deng Xiaoping's brilliant exposition of international issues. Referring to the issues of Hong Kong and Taiwan, Deng Xiaoping said: The "one country, two systems" concept is our new invention. With China having the problems of Hong Kong and Taiwan, the "one country, two systems" concept is the only feasible way of solution. The principle of "one country, two systems" will not change.

During the meeting, Deng Xiaoping also briefed the guests on China's economic development strategy. He said: The policy of reform and opening up is our development strategy. Although we are confronted with some temporary troubles, we will not change this policy. We have conducted reform and opening up for 10 years. It should be said that these 10 years have been successful. With full confidence Deng Xiaoping said to the Japanese guests: We can overcome the problems and difficulties confronting us. We will chiefly rely on our own efforts, but we should also strengthen cooperation with all countries in the world, particularly with our close neighbor Japan. Deng Xiaoping said that Japanese economic circles are welcome to invest and carry out technological transfer in China. He deemed this more important than credits.

Sakurauchi said: The Japanese Association for the Promotion of International Trade is interested in the exploitation of China's Hainan province and the construction of other special economic zones. He expressed the desire to make new contributions to the development of Japanese-Chinese friendship and economic and trade relations.

### Further on Meeting

*OW0212195888 Beijing XINHUA Domestic Service*  
*in Chinese 1259 GMT 2 Dec 88*

["Local broadcast news service"—by reporter Cai Shikuan]

[Text] Beijing, 2 Dec (XINHUA)—Chairman Deng Xiaoping proposed here today the establishment of a new international political order. He also hoped that the new order will be based on the five principles for peaceful coexistence.

During a meeting—which took place at the Great Hall of the People this morning—with a delegation from the Japanese Association for the Promotion of International Trade headed by Yoshio Sakurauchi, former Japanese minister of foreign affairs, Deng Xiaoping pointed out that a new situation has emerged in international politics today, namely confrontation is being replaced by dialogue and tension is being replaced by relaxation. Under this trend of development, we should put forward the issue of establishing a new international political order, he said.



He said: An end has to be put to hegemonism, including superpower hegemonism, regional hegemonism, and bloc politics.

Deng Xiaoping stressed: The five principles for peaceful coexistence adopted in the Bandung Conference in 1955 [Beijing XINHUA Domestic Service in Chinese at 1501 GMT on 2 December transmits a service message requesting that the phrase "adopted in the Bandung Conference in 1955" be deleted] should become universal principles to guide country-to-country relations. He urged researchers on international strategies to consider taking the five principles as the basis for the new international political order. He expressed the belief that harmonious political relations could be established between countries and continents on such a basis.

Sakurauchi expressed admiration for Deng Xiaoping's insights and boldness. He also inquired about Chinese Foreign Minister Qian Qichen's current visit to the Soviet Union.

Deng Xiaoping said: There is no reason why China and the Soviet Union should not improve their relations. The improvement of Sino-Soviet relations will not affect the continued development of China's friendly relations with other countries. However, Sino-Soviet relations, after they have been normalized, will not be the same as those in the 1950's. The comradely, allied relations are now outmoded. The new relationship should be based fundamentally on the spirit in the five principles for peaceful coexistence.

Sakurauchi expressed pleasure over the new development of Sino-Soviet relations.

During the 40-minute meeting, Deng Xiaoping also talked about the issues of Hong Kong, Taiwan, and the strategy for mainland development. He said: "Hong Kong will be returned, and Taiwan must be reunified. In what way should these issues be settled? It seems that the 'one country, two systems' concept is the only feasible approach. Some people want to see what the situation of Hong Kong will be after China recovers its sovereignty over Hong Kong in 1997. I must say that the 'one country, two systems' principle will not change."

Deng Xiaoping continued: China will not change its reform and open policies, regardless of the short-term problems such as inflation and commodity price increases. He said: "China is confronted with many problems, but we are able to solve them. We will rely on our own efforts, but we also need international cooperation. We welcome Japan to transfer its technology to China and invest in China."

## **Near East & South Asia**

**Foreign Ministry on Indian Air Violation**  
**HK0312012988 Hong Kong SOUTH CHINA**  
**MORNING POST in English 3 Dec 88 p 8**

[By David Chen]

[Text] Relations between China and India chilled appreciably yesterday when Beijing openly accused Indian planes of violating its air space—less than three weeks before the Indian Prime Minister, Mr Rajiv Gandhi, is scheduled in Beijing for the first visit by a top Indian leader in 34 years.

Neither the Indian Embassy in Beijing nor the country's commission in Hong Kong would make any comment on the Chinese accusation.

What is even more intriguing is the fact that the accusation, made by the Chinese Foreign Ministry, came a week after the Indian Foreign Secretary, Mr K. S. Menon, had completed his second trip to Beijing to make final preparations for the grand occasion.

An added puzzle was a report that the Chinese Vice-Foreign Minister, Mr Liu Shuqing, the official responsible for the Chinese side in the border talks with the Indians, had briefed a group of Indian journalists in the Chinese capital "on the border questions".

What transpired remained unclear. Until yesterday, no word had come from New Delhi about the accusation.

Mr Gandhi is expected in Beijing on December 19 and should return to New Delhi on December 23. By all accounts, the arrangements appear to have proceeded smoothly.

The curt Chinese Foreign Ministry statement, therefore, came as a surprise and has baffled many analysts.

It simply said: "Recently, Indian planes have intruded into China's air space. The Chinese side has made representations to the Indian side." Beyond that, it refused to divulge any further information.

An informed Chinese in Tibet said Indian Air Force planes had flown over Chinese territory in recent days.

However, analysts said the Foreign Ministry statement, embarrassing as it may be, is not expected to jeopardise the visit.



**Spokesman on 'Representations'**  
*HK0312074088 Hong Kong AFP in English*  
*0735 GMT 3 Dec 88*

[Text] Beijing, Dec 3 (AFP)—China said Saturday it had made representations to New Delhi regarding an alleged intrusion of Indian planes into its airspace, two weeks before Prime Minister Rajiv Gandhi visits Beijing.

"Recently Indian planes have indeed intruded into China's air space (and) the Chinese side has made representations to the Indian side," said a Foreign Ministry spokesman, without elaboration.

Observers said they believed the low-keyed tone of the statement—which made no reference to a diplomatic protest—indicated a desire not to let the incident overshadow Mr. Gandhi's trip here during the third week of December.

It will be the first time an Indian head of government has come to China in 34 years, a period that included a brief but bloody border war in 1962 in the Himalayas.

In April 1987 Beijing accused India of repeated air and land violations of its territory, but both countries denied press reports of troop concentrations and clashes along their common border.

**Nepalese Foreign Minister Views Upcoming Visit**  
*OW0412110088 Beijing XINHUA in English 0918 GMT*  
*4 Dec 88*

[Text] Kathmandu, December 4 (XINHUA)—Nepalese Foreign Minister Shailendra Kumar Upadhyaya left here this afternoon for China to pay an official visit.

In an interview with XINHUA at his office, Mr Upadhyaya said that he is going to China to sign a protocol of the second meeting of the joint border inspection committee between Nepal and China. "It is a routine matter. However, the manner in which the committee has met and reached understanding shows the cordial and friendly relationship existing between our two countries," he said.

During his visit, he will have a good opportunity to get acquaintance of the new leadership of China and discuss with them matters of mutual interest and exchange views on various regional, international as well as bilateral issues, he said.

On the Nepal-China relations, he said, "the relations between Nepal and China are very good. The Nepal-China friendship has been tested by time. It has matured. It has been proved that China is a reliable and valuable friend to us. We have no outstanding problems with China, and we look forward to growing cooperation and understanding in days to come."

Referring to forthcoming Indian prime minister's visit to China, the foreign minister said, "we are happy to see our two big neighbors coming closer to each other and trying to solve their problems in a peaceful manner. We hope that the forthcoming visit of the Indian prime minister to China will initiate good understanding between the two countries and pave a way for a long and lasting peace in the region as well as in the world."

Mr Upadhyaya will arrive in Beijing tomorrow.

**Joint Commission Meeting With Bangladesh Begins**  
*OW0512004388 Beijing XINHUA in English 0908 GMT*  
*4 Dec 88*

[Text] Dhaka, December 4 (XINHUA)—Bangladesh and China began here today a four-day meeting to review their bilateral trade and discuss ways to expand economic cooperation between the two countries.

An 8-member Chinese delegation led by Lu Xuejian, vice minister for foreign economic relations and trade, is participating in the fourth annual meeting of the China-Bangladesh Joint Commission while the Bangladesh delegation at the meeting is led by Enam Ahmed Chowdhury, secretary of the External Resources Division.

According to meeting sources, two working groups were formed at today's session to hammer out details of future economic cooperation and measures for increasing bilateral trade.

The Chinese vice minister said at the meeting that China will import 1,000 tons of urea and tea, jute and tobacco from Bangladesh to narrow the existing trade gap between the two countries.

The two-way trade between Bangladesh and China has reached about 100 million U.S. dollars with a favourable balance of 18 million dollars on the Chinese side.

**Palestine Solidarity Day Anniversary Marked**  
*HK0212141388 Beijing RENMIN RIBAO in Chinese*  
*29 Nov 88 p 6*

[Article by Xie Bangding (6200 6721 1353): "Military Force Cannot Subdue the Palestinian People"]

[Text] Today marks the 10th anniversary of the international day of solidarity with the Palestinian people.

On this day 5 years ago, in the capital of Tunisia, I was invited to see a live documentary, "Under the Rubble," which described how Israel brutally bombed Palestinian refugee camps in Lebanon and slaughtered the Palestinian people. It was one of the many true historical events written in blood. After seeing the film, people were weighed down as if by a heavy stone.

The misery of the Palestinian people has seldom been seen in the history of mankind. Over the past 4 decades, they have suffered one naked military aggression after another. They have lost their dear ones, their homeland, and their basic rights as a nation. They have been forced to go into exile from generation to generation or subjected to every kind of suffering from one generation to another under the Israeli tanks and bayonets. Since 1949 the United Nations has passed numerous resolutions on the Palestinian issue. However, because Israel has persisted in aggression and expansion under the shield of the United States, the Palestinian issue has not been solved to date.

Where there is aggression and oppression, there is resistance and struggle. For the sake of national survival, the Palestinian people have carried out a courageous struggle. The large-scale mass uprisings against the Israeli military occupation, which have been carried out by the vast numbers of Palestinian people in the West Bank of the Jordan River and the Gaza Strip since last 9 December, mark a new awakening on the part of this oppressed nation. The struggle has been going on for a whole year. Defying brute force, they have launched the struggle to restore national rights. The uprisings of the people in the occupied territories have enjoyed the unanimous support of Arab states and peoples and won the extensive sympathy and support of international public opinion.

The course of the Palestinian people's struggle over the past 40 years, including the uprisings of the Palestinian people in the occupied territories in the past year, has brought to light a truth: A people striving for the restoration of national rights cannot be subdued. The Palestinian issue is the heart of the Middle East issue. Only when Israel withdraws from all Arab territories it has occupied since 1967 will it be possible to solve the Palestinian issue fairly and rationally and to achieve peace and stability in the Middle East region.

There are relaxations in the current international situation. Confrontation has shifted toward dialogue and a political solution of regional disputes has become a notable trend. This situation has provided a favorable opportunity for a political solution to the Palestinian issue. For some time, Yasir 'Arafat, chairman of the Executive Committee of the PLO, and other Arab states have made positive efforts to promote the Middle East peace process. At its 19th special meeting held recently in Algeria, the Palestine National Council explicitly announced the acceptance of Resolutions 242 and 338 and stressed the need to solve the dispute through an international conference on peace in the Middle East. This is an important choice made by Palestine and Arab states in an attempt to attain just and durable peace in the Middle East region. It has won extensive support and admiration internationally. This important event shows that Palestine and Arab states not only have the sincerity to seek a political solution to the Middle East issue but also put forward just, practical, and specific proposals and measures. If, in defiance of the world trend, the

Israeli authorities reject the reasonable proposals put forward by various parties, they will only be more isolated in the world and bring endless disasters to the peoples in the Middle East region, including the Israeli people.

The Israeli authorities should recognize that Israeli security can by no means be attained by forcibly occupying the territories of other people. A sensible act for Israel is to change its course; give up aggression and expansion; accept the demands of the Palestinian people to return to their homeland, to achieve national self-determination, and to set up an independent state; and live in harmony with the Palestinian and Arab peoples. Only in this way will Israel have a bright future.

The Middle East was one of the cradles of ancient human civilization. Once the issue that has perplexed the Middle East for several decades is solved justly and reasonably, it will make contributions to human peace and development in the region and the rest of the world. Although the path is long and tortuous, the Chinese people and the peoples of other countries firmly believe that day will certainly come.

### Sub-Saharan Africa

**Li Peng Meets With Zimbabwean Foreign Minister**  
*HK0312070988 Beijing RENMIN RIBAO in Chinese*  
30 Nov 88 p 1

[Dispatch by reporter An Guozhang (1344 0948 4545):  
"Li Peng Meets Zimbabwean Foreign Minister"]

[Text] Li Peng, premier of the Chinese State Council, met Zimbabwean Foreign Minister Dr Nathan Shamuyarira, who is visiting China, at Zhongnanhai today. The two sides exchanged views on bilateral relations and a series of international issues of mutual interest.

Having listened to Foreign Minister Shamuyarira's briefing on the current situation in southern Africa, the premier reaffirmed China's persistent position in supporting the just struggle of the Frontline States, the South African people, and the Zimbabwean people. Li Peng noted China hopes the relevant negotiations will make new progress so that Namibia can gain its independence as quickly as possible and southwest Africa realize peace and stability at an early date.

On the Cambodian issue, Li Peng and Shamuyarira agreed that the withdrawal of Vietnamese troops from Cambodia is the prerequisite to the solution of this question. Li reaffirmed China's persistent position on the settlement of the Cambodian issue.

The two sides expressed satisfaction over the development of their bilateral relations, and agreed to make greater efforts to promote ties, which are already very friendly, between the two countries.

**Qian Qichen, Shamuyarira Meet**  
*HK0312060188 Beijing RENMIN RIBAO in Chinese*  
30 Nov 88 p 1

[Dispatch by reporter An Guozheng (1344 0948 4545):  
"Qian Qichen Holds Talks With Zimbabwean Foreign  
Minister"]

[Text] Beijing, 28 Nov—Chinese Foreign Minister Qian Qichen held talks with his Zimbabwean counterpart, Dr Nathan Shamuyarira, in a cordial and friendly atmosphere. The two ministers held talks on bilateral relations and international issues of mutual concern. After the talks, Chinese Foreign Minister Qian Qichen held a banquet in honor of Foreign Minister Shamuyarira and his entourage.

The two foreign ministers expressed satisfaction over the development of bilateral relations between the two countries. Foreign Minister Qian said that the two nations have conducted fruitful cooperation in political, economic, and cultural areas, as well as in public health. To continue to strengthen the friendship and cooperation between the two nations is the unswerving policy of the Chinese Government. The Zimbabwean foreign minister said that no problems exist between China and Zimbabwe. Over a long period of time, China has always been Zimbabwe's friend.

The two sides also exchanged extensive views on a series of international issues, including South Africa, Cambodia, and Afghanistan. Having spoken on the present situation in southern Africa, Foreign Minister Shamuyarira said it is universally acknowledged the Chinese Government has supported the liberation movement in southern Africa. Both sides share the belief that apartheid is the root cause of the regional conflicts and instability as well as the cause of the damage to the economies of various countries in this region. Chinese Foreign Minister Qian Qichen said that China has always shown concern for the situation in southern Africa. China has condemned the South African authorities for pursuing apartheid, appealed for the common efforts of international society to press the South African authorities to abolish apartheid, to put an end to the illegal occupation of Namibia, and to stop their threats to the Frontline States, to realize peace and stability in the entire region of southern African.

Zimbabwean Foreign Minister Shamuyarira arrived in China on 27 November.

**Zairian Military Delegation Visits Nanjing**  
*OW0412103988 Nanjing Jiangsu Provincial Service*  
in Mandarin 1015 GMT 29 Nov 88

[Excerpts] Escorted by Xiang Shouzhi, commander of the Nanjing Military Region, the Zairian Armed Forces delegation led by General (Likuria) visited a certain infantry division of the Nanjing Military Region this morning. After arriving at the camp where the division is

stationed, and escorted by Commander Xiang Shouzhi, General (Likuria) and his party reviewed the division's honor guard and heard a briefing by the division political commissar, (Fu Daoren). Then the distinguished guests watched demonstrations of military skill and a squad live ammunition assault exercise at the training site of a certain regiment. [passage omitted]

At the conclusion of their visit to Nanjing, the distinguished Zairian guests left Nanjing for Guangzhou by special plane. Commander Xiang Shouzhi and others saw the guests off at the airfield.

### West Europe

**RENMIN RIBAO on Franco-Soviet Relations**  
*HK0512053088 Beijing RENMIN RIBAO in Chinese*  
29 Nov 88 p 6

["Roundup" by RENMIN RIBAO reporter Zhang Qihua (1728 0796 5478) from Paris on 27 November:  
"Franco-Soviet Relations Are Warming Up"]

[Text] French President Francois Mitterrand's 2-day visit to the Soviet Union, which concluded on the evening of 26 November, attracted broad attention from the media here. French Television Station Two broadcast live coverage, from the Kremlin to France, of the press conference jointly held by Mitterrand and Mikhail Gorbachev. This unusual move indicates a new trend in the relations between France and the Soviet Union.

During the 2 days, Mitterrand and Gorbachev met twice, and ministers from both sides held talks on matters of concern, ranging from East-West relations to disarmament, human rights, European cooperation, and bilateral relations. Both sides said that the meetings had "achieved success." President Mitterrand said: France will develop exchanges in various fields of endeavor in the days to come. Gorbachev emphatically said: Dialogue between the Soviet Union and France must be suited to the rapid changes in the present-day world. Both sides decided, through consultation, to restore the system of supreme leaders meeting once and foreign ministers meeting at least twice a year, a system that was previously decided on but had not really been implemented. Gorbachev has already decided that he will pay a return visit to Paris next spring.

France and the Soviet Union have made considerable advances in economic and technological cooperation. They have signed an agreement whereby France will provide a credit of \$2 billion to the Soviet Union. They will form a joint venture to expand a large Soviet aluminum plant in Armenia, which required a total investment of 1 billion francs. This will be the largest joint-venture enterprise ever set up by a Western country in the Soviet Union. The highest-level French-Soviet mixed economic committee, scheduled to meet next February, will continue to explore more cooperation projects. Both sides have signed a new agreement on



long-term cooperation in space navigation. Yesterday afternoon, Mitterrand and his entourage watched the launching of the second joint space flight by Soviet and French cosmonauts at the Kazakh Baykonur launching site. It is believed that Franco-Soviet relations, which stagnated over the years, may become normal and lasting relations, with the current summit meeting as the turning point.

Concerning the current meeting, LE MONDE pointed out: France should seek her own position in the current East-West dialogue. After the U.S.-Soviet Moscow summit, the relations between the Soviet Union and Western Europe and between Eastern and Western Europe have warmed up considerably. The more frequent contacts between CEMA and the European Community, the recent successive visits to Moscow by leaders of West European countries, and the extension of loans by the West European banking circles to the Soviet Union illustrate this trend. To further develop Soviet-European relations, Gorbachev advanced the idea of making joint efforts to build "a European edifice." Given this new trend, it is only natural for France not to lag behind others but to try to stand at the forefront. During the meeting, President Mitterrand definitely agreed to discuss the issue of reducing conventional weapons in Europe during the course of the European security conference, while supporting the negotiations on nuclear arms reduction between the Soviet Union and the United States. After revising its position concerning the negotiations on chemical weapons, France proposed an international conference on banning the use of chemical weapons to be held in Paris. This proposal won Soviet approval. It seems that the "marked progress" (Mitterrand's remark) made by the Soviet Union in human rights issues is aimed at winning support from France and other Western countries for the Soviet Union to hold a human rights conference in Moscow in 1991. Mitterrand praised Soviet reforms as opening a new path for East-West relations. He also spoke favorably of Gorbachev's idea of building "a European edifice," saying that it was a very good form of expression for the cooperation between Eastern and Western Europe. According to analyses by newspapers and magazines here, France's purpose in conducting direct dialogue with the Soviet Union is to play a greater role in relations among the United States, Europe, and the Soviet Union.

Judging from the current meeting, the Soviet Union adheres to its policy of openness to the West, and France has begun implementing its "eastern policy." Hence, they are sharing a more common language with each other. Mitterrand also maintained: The "Malta" era has ended; Europeans should make their own decisions; and Eastern and Western Europe should get closer to each other. He predicted: The dialogue and exchange between Eastern and Western Europe will be one of the most important events at the end of this century and at the beginning of the next.

**Officials Meet French Provincial Delegation**  
OW0512003888 Beijing XINHUA in English 0903 GMT  
4 Dec 88

[Text] Beijing, December 4 (XINHUA)—Vice-Chairman of the Standing Committee of the National People's Congress Yan Jici and former Chinese Ambassador to France Huang Zhen separately met a delegation from the assembly of the Franche-Comte region of France here this afternoon in the Great Hall of the People.

Pierre Chantelat, head of the delegation and president of the region assembly, presented medals of his assembly to Yan and Huang during the meetings.

The delegation arrived in Beijing yesterday at the invitation of Anhui Province in east China, which has established friendly cooperative relations with the Franche-Comte region.

Chantelat said his delegation will discuss cooperation in agriculture and agricultural products with its Anhui partner during its stay in the province.

The delegation will also visit a Sino-French automobile works in Guangzhou, capital of Guangdong Province in south China.

China and France have established 11 pairs of friendship cities and six pairs of friendship provinces-regions.

**Zou Jiahua Meets With UK Transport Secretary**  
OW0212172788 Beijing XINHUA in English 1037 GMT  
2 Dec 88

[Text] Beijing, December 2 (XINHUA)—Zou Jiahua, state councillor and minister of machine building and electronics industry, met here today with Henry Paul Guinness Channon, secretary of state for transportation of Britain, and his party.

The British guests were invited by Qian Yongchang, Chinese minister of communications, and arrived here November 30 on a visit to China.

**'Landmark' Reference Work Published in London**  
OW0412093888 Beijing XINHUA in English 1920 GMT  
30 Nov 88

[Text] London, November 30 (XINHUA)—A comprehensive and authoritative work on China was published today in Britain, as a result of three years' successful cooperation between Chinese and British academic and publishing circles.

Speaking to a reception at the Chinese Embassy to celebrate the publication of "INFORMATION CHINA", Mr. Robert Maxwell, chairman of Maxwell Communication Corporation PLC, said: "This is the first authoritative work in the English language about one of the greatest countries on earth."

He called the work "a landmark" that will supply new, up-to-date, comprehensive, authoritative and accessible reference, indispensable for Western people to understand New China.

Mr. Maxwell [word indistinct] the publication of the work in 1985 when Zhao Ziyang, the Chinese premier, paid an official visit to [words indistinct] the premier's support.

Again he was encouraged by Chinese leader Deng Xiaoping when he visited China in the summer of 1985 to get on with the work.

Maxwell said the direct support of the highest authorities in China ensured that the Chinese Academy of Social Sciences could commission more than 200 of China's most eminent authors to write for the work.

The three-volume work with 1.5 million words was finally compiled and published by Pergamon Press, of which Mr. Maxwell is the publisher.

The scope of the work is enormous. It embraces every aspect of the physical, political, economic, social and cultural life of China with a detailed historical background and soundly-based indication for the future.

There are important sections on geography and climate, natural resources, history, conservation, agriculture, economy, industry, trade and commerce, literature and the arts, and tourism.

This valuable reference will be kept up-to-date with biennial supplementary volumes, starting in 1900 [year as received].

Chinese Ambassador Ji Chaozhu praised the cooperation between Chinese and British academic and publishing circles and, in particular, the contribution Mr. Maxwell had made in helping Western people understand China.

**Li Wenshan, Guo Zhi Meet With Italian Group**  
SK0512093588 Shijiazhuang HEBEI RIBAO  
in Chinese 15 Nov 88 p 1

[Text] On 14 November, Li Wenshan, chairman of the provincial CPPCC committee and president of the provincial association for cultural exchange with foreign countries, and Guo Zhi, chairman of the Standing Committee of the provincial People's Congress, respectively

met with a delegation of the Sino-Italian economic and cultural exchange association, headed by (Kelongbo), president of the association.

At noon, Guo Zhi came to the Hebei Guesthouse to meet the Italian friends. He extended heartfelt thanks to President (Kelongbo) for his contributions to developing the friendship and cooperation ties between Hebei Province and Italy and hoped that more Italian friends would come to Hebei to further conduct economic and trade cooperation with the province. Hosts and guests also sincerely exchanged views on further expanding the economic and cultural exchanges between Hebei and Italy.

That evening, at the meeting hall of the provincial foreign affairs office, Li Wenshan paid high tribute to the friendship between the peoples of China and Italy and expressed satisfaction with the gratifying progress in economic and cultural exchanges between Hebei and Italy over the past few years. Li Wenshan congratulated President (Kelongbo) on the occasion of the upcoming publication of his book, entitled "China Steps Toward 2000," in Beijing. He hoped that through this visit, the economic and cultural exchange and cooperation between Hebei Province and Italy will be further advanced.

(Kelongbo) said: During this visit, I met with some old friends and became acquainted with some new ones. Both sides also held extensive talks on conducting economic and trade cooperation and cultural exchange. All this will further promote the development of the already-established friendship and cooperation ties.

### East Europe

**Hungarian Foreign Minister Arrives in Shanghai**  
OW0512053188 Shanghai City Service in Mandarin  
2300 GMT 4 Dec 88

[Text] The foreign minister of Hungary, Peter Varkonyi, arrived in Shanghai by air yesterday afternoon to begin a 1-week official visit to China. This is the first visit to China by a Hungarian foreign minister in 30 years.

Yesterday evening, while he was meeting and hosting a banquet for Foreign Minister Varkonyi at the Hongqiao Guesthouse, Vice Mayor Liu Zhenyuan said: Foreign Minister Varkonyi's visit to China is an important activity in the relations between China and Hungary. Tomorrow Foreign Minister Varkonyi will preside over the ceremony to open the Hungarian Consulate-General in Shanghai. This will open a new page in the history of relations between Shanghai and Hungary. A considerable amount of commercial activity already takes place between Shanghai and Hungary. Hungary has conducted many commercial activities having an impact in Shanghai, and has left a profound impression on the people of Shanghai.

Foreign Minister Varkonyi said: I am very happy to be able to visit Shanghai and China for the first time, and look forward to the success of this visit. The opening of the Hungarian Consulate-General in Shanghai is one of the most important parts of my visit to China. We shall further strengthen our contacts with Shanghai.

**Taxation Agreement Reached With Yugoslavia**  
*OW0212173888 Beijing XINHUA in English 1150 GMT 2 Dec 88*

[Text] Beijing, December 2 (XINHUA)—China and Yugoslavia signed an overall agreement to avoid double taxation on income and capital here today.

The agreement was signed by Chinese Vice-Minister of Finance Liu Zhongli and Yugoslav ambassador to China Zvone Dragan.

According to the Finance Ministry, this is the 22nd agreement of its kind China has signed since 1981.

**Sports Exchange Protocol Signed With Romania**  
*OW0312005788 Beijing XINHUA in English 0145 GMT 29 Nov 88*

[Text] Bucharest, November 28 (XINHUA)—China and Romania will strengthen mutual exchange in sports, especially in athletics, handball, rowing, chess, boxing, gymnastics, table tennis and diving, according to the Sino-Romanian sports exchange protocol for the coming 1989 signed here Monday.

The protocol was signed by Lu Xianwu, head of the visiting Chinese sports delegation, and Gabriel Popescu, official from the Romanian National Sports Committee.

The Chinese sports delegation arrived here last Thursday and left here for Federal Germany in the afternoon.

**New CSSR Ambassador Presents Credentials**  
*OW0512033688 Beijing XINHUA in English 0306 GMT 5 Dec 88*

[Text] Beijing, December 5 (XINHUA)—New Czechoslovak Ambassador to China, Eduard Saul, presented his credentials to Chinese President Yang Shangkun at the Great Hall of the People here this morning.

Eduard Saul arrived in Beijing November 25.



**Zhao Ziyang Speaks on Solving Economic Problems**  
*HK0312074788 Beijing RENMIN RIBAO in Chinese*  
3 December p 1

[XINHUA Report—"Zhao Ziyang Stresses Grasping the Key to Improvement and Rectification in Speech at Forum Held by CPC Central Committee—Readjust the Economic Structure, Improve Economic Returns"]

[Text] Beijing, 2 Dec (XINHUA)—Today, the CPC Central Committee summoned the responsible persons of the various provinces, autonomous regions, and cities directly under the central government who were attending the National Planning Conference and National Conference on Economic Structural Reform to a forum in Huiren Hall in Zhongnanhai. Zhao Ziyang, Yang Shangkun, Li Peng, Wan Li, Qiao Shi, Yao Yilin, and others attended the forum. Zhao Ziyang delivered an important speech. At the forum, State Planning Commission Vice Chairman Gan Ziyu first reported on proceedings at the National Planning Work Conference and the National Economic Structural Reform Work Conference, together with certain problems that have cropped up in improving the economic environment and rectifying the economic order that have been reflected by the comrades participating in these conferences. Responsible comrades of Henan, Inner Mongolia, Hebei, Jiangsu, Yunnan, Hunan, and Shenyang also spoke. CPC Central Committee General Secretary Zhao Ziyang spoke in the course of listening to the report. In his speech, Zhao Ziyang stressed the need to concentrate energy on readjusting [tiao zheng 6148 2419] the economic structure in improving the economic environment and rectifying the economic order. He said: Progress made in the readjustment of the economic structure in the next 2 years would mean very great success. The readjustment of the economic structure covers the readjustment of the production setup, the enterprise setup, the product mix, and investment and credit makeup. If the readjustment of the economic structure is successful, the decline in production can be prevented and renewed inflation can be avoided. In addition, the entire economic structure will become more rational, and quality and economic results will further improve. This is the key to success in improving the economic environment and rectifying the economic order.

Zhao Ziyang said: It is absolutely necessary to reduce the speed of overheated industrial production and, at the same time, ensure effective supply. This chiefly refers to agricultural and sideline products, light industrial products needed in people's daily life, foreign exchange earning products, and commodities which can play a big role in withdrawing paper money. It is necessary to ensure production and increase supply. All localities should make a list and adopt a series of measures to ensure their production.

Talking about reducing investment in fixed assets, Zhao Ziyang said: This is a major measure that has a decisive influence on the overall situation of improving the economic environment and rectifying the economic order and can easily yield results. We must make this commitment and must be firm and unshakable. All localities and all units should take the interests of the whole into account. The current reduction of capital construction should be combined with the readjustment of the production structure.

Comrade Zhao Ziyang emphatically pointed out: In improving economic environment and rectifying the economic order, it is necessary to ensure education. Instead of being reduced, education should be strengthened. This should be fixed as a major policy.

In his speech Zhao Ziyang also aired important views on various issues, such as improving banking and credit work, deepening the enterprise reform and the reform of macro-economic regulation and control, persisting in the open policy, and carrying out the economic development strategy in the course of improvement and consolidation.

Song Ping, Ding Guangeng, Yan Mingfu, Zhang Jingfu, Chen Muhua, Wang Bingqian, Song Jian, Zou Jiahua, Li Guixian, Chen Xitong, and others also attended the forum today.

**Discusses Coastal Economic Strategy**  
*HK0412045988 Beijing XINHUA Hong Kong Service*  
in Chinese 1515 GMT 3 Dec 88

[Text] Beijing, 3 Dec (XINHUA)—The CPC Central Committee today convened a forum in the Huairan Hall, Zhongnanhai, attended by responsible persons of provinces, autonomous regions, and municipalities attending the work conference on opening up to the world in coastal regions. Zhao Ziyang and Li Peng made important speeches. Wan Li, Qiao Shi, Yao Yilin, and Tian Jiyun attended the forum.

Zhao Ziyang said, An excellent situation and opportunity of developing export-oriented economy and further attracting foreign business investment in China has indeed emerged in the coastal regions. Now that we happen to be improving the economic environment and rectifying the economic order, we can find a path that is beneficial to the development of export-oriented economy in the coastal regions and that will not adversely affect improvement and rectification but will actually ensure that the two promote each other. We must be unswerving in improving the economic environment and rectifying the economic order, and we must also be unswerving in implementing the coastal economic development strategy.

Zhao Ziyang pointed out, our current improvement and rectification is different from previous readjustments, since it is being carried out under conditions of opening

up to the world. All localities throughout the country have a lot to do regarding how to take advantage of these conditions to reduce and overcome the difficulties in improvement and rectification. Developing an export-oriented economy with "the two ends extended outside" in the coastal regions is precisely an important aspect of this. We must in particular make full use of our labor, technology, infrastructure, and industrial capacity to promote external economic and technological cooperation and exchanges, develop efforts to nourish exports through imports, promote three forms of import processing and compensation trade, bring in foreign capital, technology, and management experience for "grafting" onto our old enterprises, and encourage foreign businessmen to set up wholly foreign-owned enterprises. Developments in these aspects, far from hampering our improvement and rectification work, will be in fact very advantageous for it. They will be very advantageous for maintaining economic development, increasing effective supply, and earning more foreign exchange from exports.

Zhao Ziyang pointed out, the coastal regions must get a good grasp of readjusting their economic structure, including the structures of industry, products, investment, and credit. Through readjustment, they should promote the development of export-oriented economy. It is essential to cut certain projects and preserve others. We must resolutely control those aspects that are unfavorable for improving the economic environment of the whole country, and actively pursue those aspects that benefit the development of export-oriented economy. We must cut back those products that do not sell well and consume much energy and raw materials, and those enterprises with very poor economic returns and running at a loss, so as to make available some energy, raw materials, transport capacity, and capital for maintaining export-oriented production with good economic returns.

Zhao Ziyang pointed out, in a certain sense, improvement and rectification are a kind of curb on old-style development in the coastal regions and a kind of spur to the development of export-oriented economy. And the more successful the development of export-oriented economy in the coastal regions, the more will the economy of the whole country benefit.

He said, in the course of improvement and rectification, we should implement a policy of leaving one side of the net open with regard to the development of export-oriented economy in the coastal regions; at the same time we must step up supervision to ensure the correct implementation of the regulations and policies. In particular, following the delegation of powers, the local governments at all levels must all the more regard supervisory work as a major duty.

Premier Li Peng said that in the course of developing export-oriented economy and foreign trade, it is essential to attach importance to reputation, stick to contracts, ensure that goods are delivered on schedule, and also

improve the quality and grading of export goods. We should update the designs of our products in light of international market requirements. He stressed in particular that it is essential to pay attention to coordination in foreign trade and avoid blind duplication.

Song Ping, Yan Mingfu, and Zhang Jingfu attended the forum today.

**TV Report on Zhao Speech**  
*OW0312050388 Beijing Television Service*  
*in Mandarin 1100 GMT 2 Dec 88*

[Announcer-read video report by reporters Zhang Yuxian and Cheng Jianping; from the "National News Hookup" program]

[Text] Leading comrades Zhao Ziyang, Yang Shangkun, Li Peng, Wan Li, Qiao Shi, and Yao Yilin attended a discussion forum on the morning of 2 December with some provincial government leaders who are attending a National Conference on Planning and Economic Structural Reforms.

General Secretary Zhao Ziyang spoke at the forum. He pointed out that in the current drive to improve the economic order and rectify the economic order, we must exert efforts to readjust the economic structure.

He said: It has been 2 months since various localities began to implement the guidelines of the 3d Plenary Session of the 13th CPC Central Committee. Judging from the reports, officials have expressed concern about two main areas. They are concerned either with the lack of firm action and perfunctoriness or with excessive control in implementing the guidelines. In my opinion, we should stress determination and prevent wavering in face of difficulties. At the same time, we should closely watch the development of the situation, and study and take prompt action to solve problems.

Turning to the reduction of capital construction investment, Zhao Ziyang said: This is an important measure which has a vital bearing on and can produce quick results in the overall situation of the current economic drive. It must be carried out without fail. The party Central Committee has appealed to all local governments and departments to take the interests of the whole nation into account and make self-sacrifices by reducing capital construction.

Zhao Ziyang said: In reducing capital construction investment, it is necessary to first coordinate with the efforts to readjust the industrial policy and production structure so as to improve the economic structure through the reduction. Second, it is necessary to study ways and means to control investment not covered by the state budget and planning. The ever expanding extrabudgetary investment in recent years should be brought under control, otherwise we will not be able to

fulfill the targeted goal to reduce capital construction. Third, it is also necessary to work out measures to ensure the interests of honest people.

Regarding the matter of increasing the supply of goods in demand, Zhao Ziyang said: We should slow the overall production growth rate, but increase the supply of goods in demand, including farm and sideline produce, light industrial products of daily necessities, and commodities capable of attracting money in circulation. It is necessary to strive to increase supply. It is also necessary to make an inventory of products and enterprises, and to transfer loans, raw and semi-finished materials, energy, and transportation capacities used by enterprises manufacturing unmarketable goods and having a poor economic performance to increasing the production of marketable goods.

Regarding the issue of controlling the expansion of consumption funds, Zhao Ziyang said: We should continue to perfect the system of linking expansion of consumption funds to economic efficiency. It is also necessary to crack down on profiteering, stop tax evasion, and intensify the management and supervision over economic activities, including those in the individual sector of the economy.

Zhao Ziyang stressed: Education funds must be guaranteed in the course of improving the economic environment and rectifying the economic order. To increase the budget for education is a major policy we have already established.

On attracting foreign capital in the course of improving the economic environment and rectifying the economic order, Zhao Ziyang said: The current drive is different from the previous ones in continuing to open the country to the outside world. This has provided us with a good international environment. Effective use of this international environment can reduce our difficulties in improving the environment and rectifying the order. We must uphold the policy of opening China to the outside world and integrate this policy with the current economic drive in continuing to carry out the strategy for the economic development of coastal regions.

Turning to the question of reform, Zhao Ziyang said: We should not relax the efforts to reform enterprises. Efforts should be made to further perfect the contracted managerial responsibility system. It is necessary to study and introduce new macroeconomic regulatory and control means compatible with the direction of reform in the current economic drive. It is also necessary to avoid the revival of the old system, and to establish and foster a market supervised by regulation and control.

Zhao Ziyang said: A low growth rate for a given period of time is not so dreadful. The most important thing is to avoid the beaten track of tightening or decontrolling everything at the same time, and to concentrate efforts

on readjusting the structure of production and enterprises, and the product mix, as well as the investment system in the current drive. While unfolding the economic drive, we should readjust the overall economic structure at the same time. Through the readjustment, we should be able to further rationalize China's economic structure and improve its quality. To this end, we should have a clear guiding principle as well as adopt effective measures to work out a meticulous and well-conceived plan.

[Video begins with pan shots of a medium-sized conference room with about 200 participants in the forum, with central leaders seated at a round table in the center and others at several U-shaped rows of tables surrounding the round table. Camera cuts to show medium-range shots of Zhao Ziyang, seated at the round table facing all participants and dressed in dark Western suit without a tie, and Li Peng, seated to the right of Zhao. As the announcer reads excerpts of Zhao's speech, video alternately shows close-up shots of Zhao gesticulating while speaking and participants listening attentively and taking notes. Leaders seated at the central round table are, to the left of Zhao, according to an unidentified person who is not seen in the latter part of the video, Yang Shangkun, Wan Li, Song Ping, Qiao Shi, Wang Bingqian, Chen Muhua, Zhang Jingfu, and Yan Mingfu, and, to the right of Zhao, Li Peng, Yao Yilin, Li Guixian, Ding Guangen, Song Jian, and Zou Jiahua.]

#### National Planning Conference Views Various Topics

**Urges Investment Readjustment**  
OW0412224488 Beijing XINHUA Domestic Service  
in Chinese 1249 GMT 4 Dec 88

[By reporter Xu Yaozhong]

[Text] Beijing, 4 Dec (XINHUA)—A national planning conference here calls on all localities and departments to put the general interest first, resolutely reduce investment in fixed assets, and rationally readjust the investment structure. The conference also urges all localities and departments not to leave the current work of screening the fixed assets investment projects unfinished.

According to statistics compiled in the middle of November, the nation has discontinued and suspended the construction of 9,880 fixed assets projects and reduced fixed assets investment by 31.7 billion yuan. Of those discontinued and suspended projects, 1,591 are office buildings, auditoriums and guesthouses with a total planned investment of 16 billion yuan.

Comrades Zhao Ziyang and Li Peng said at the conference that "local authorities should reduce the fixed assets investment even if they are reluctant to do so," and some localities should "make temporary but necessary concessions." Delegates to the conference agreed with them. Some delegates said: Since after the reform of



the financial system, some localities have had both money and materials in their hands. However, they should never assume an attitude of "since I do not need your help any more, I do not have to listen to you" toward the state. They should put the interest of the state first and resolutely uphold the centralized leadership of the central authorities.

In order to prevent perfunctoriness in the screening work, the responsible person of a department concerned under the State Planning Commission emphasized the necessity to pay serious attention to the quality of the screening work. Many delegates regard the State Council decision to extend the deadline of the screening work to the end of January 1989 as correct and timely. In the meantime, various local organizations should do good self-inspection work, and the inspection groups dispatched by the State Council to various localities should supervise the screening of the fixed assets investment projects.

The conference reiterated: Only the amount of construction work actually accomplished before the end of October 1988 is recognized. Any construction work done in a rush since then is not recognized, so that dishonest persons will not gain extra advantage by unfair means.

In order to keep the scale of the fixed assets investment under proper control, the national planning conference urged a reduction of loans for such investment extended by both banks and non-bank monetary organizations, particularly the loans extended by the latter. The investment loan business of banks will be managed under mandatory plans.

**Li Peng, Yao Yilin Speak at Opening**  
**OW0312180388 Shanghai JIEFANG RIBAO**  
*in Chinese 29 Nov 88 P 1*

[Special 28 November dispatch from Beijing by JIEFANG RIBAO reporter Di Jianrong]

[Text] The National Planning Conference and the National Economic Restructuring Conference, convened by the State Council, opened simultaneously in Beijing today. Premier Li Peng presided over today's meeting and made an important speech. Yao Yilin, vice premier of the State Council and minister in charge of the State Planning Commission, delivered a report entitled "Earnestly Carry Out the Guidelines of the 3d Plenary Session of the 13th CPC Central Committee and Draw Up a Good Plan for 1989."

Premier Li Peng spoke at the beginning of the meeting. He said: The recent 3d Plenary Session of the 13th CPC Central Committee adopted a policy for improving the economic environment, rectifying the economic order, and comprehensively deepening the reforms, and also decided to shift the focus of reform and economic development for the next 2 years to improving the economic environment and rectifying the economic

order. In line with the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, in the past 2 months the State Council has adopted and enacted a number of measures and regulations concerning finance, banking, production, commerce, and people's livelihoods to make central policy more tangible. All localities and departments have done a lot of work in implementing the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and the various measures and regulations of the State Council, and have begun to achieve some initial results. But all this is only a beginning because progress is rather uneven. The main goal of these conferences is to further implement the guidelines of the 3d Plenary Session of the 13th CPC Central Committee.

Li Peng said: It seems that we have not been able to put a stop on excessive demand caused by overheated economic development. In order to make sure that the degree of price hikes next year will be lower than this year, we are now facing numerous contradictions and a great deal of difficulty in drawing up the national economic and social development plan for next year. If we are not aware of or underestimate the problems facing us and if we make no concerted efforts to solve them, we will only prolong the solution of these problems. On the contrary, if we face problems bravely, take them seriously, and implement the policy decisions of the 3d plenary session, we will be able to solve problems more speedily and bring about a new situation of the national economy. Therefore, what should be solved first at our current conference is still the question of understanding. Only when we have unified understanding can we have the determination and confidence to overcome difficulties and draw up a good plan for next year.

Li Peng pointed out: Improving the economic environment and rectifying the economic order is in fact a kind of major economic realignment. Our past experiences tell us that an economic readjustment involves both gains and losses and that it is possible to save everything. This realignment will inevitably require certain bureaus and ministries to make some temporary and necessary concessions in return for long-term, steady economic development. If some localities, departments, and enterprises refuse to give up their vested interests, our economic readjustment will become empty talk and the inflation will continue, resulting in more difficulties for us. Therefore, the CPC Central Committee and the State Council ask that all localities and departments, encouraged by these two conferences, further unify their thinking on the basis of the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, make sure these guidelines are really carried out, adhere to the principle that the part must be subordinate to the whole, be of one mind and one heart, and act together to overcome difficulties and bring reform and economic construction onto a normal and healthy path.

Li Peng said: Improving the economic environment and rectifying the economic order are closely related to comprehensively deepening the reforms. We must not

only apply the methods of deepening the reforms to improving the economic environment and rectifying the economic order, but also apply the methods of improving the economic environment and rectifying the economic order toward deepening the reforms. The simultaneous convocation of the planning conference and the economic restructuring conference will strengthen the relationship of these two tasks.

Attending today's meeting were leading comrades of the party Central Committee and the State Council, including Tian Jiyun, Li Tieying, Ding Guangen, Zhang Jingfu, Wang Bingqian, Zhou Jiahua, and Li Guixian.

In his report, Vice Premier Yao Yilin said: The main task of the current national planning conference is to discuss and map arrangements for the 1989 national economic and development plan in accordance with the guidelines of the 3d Plenary Session of the 13th CPC Central Committee. He said: In line with the central authorities' demand for concentrating efforts on improving the economic environment and rectifying the economic order in the next 2 years, the main objective and basic tasks of the 1989 plan are to cool the overheated economy gradually to ensure a marked decrease in commodity price rises, and strive for a bumper agricultural harvest next year. Arrangements for the 1989 plan should be subordinate to and serve the fulfillment of the objective and tasks. A marked decrease in price increases will be a major indicator of a stable economy while a bumper agricultural harvest can lay the foundations for stabilizing the economy.

Assessing the 1988 economic situation, Yao Yilin said in his report: The overall economic situation this year is good, as reflected mainly in the sustained growth of social production. A preliminary estimation indicates that the gross national product will be around 1,300 billion yuan and the national income 1,110 billion yuan, up respectively 12 and 10 percent from last year. Output of all major agricultural products, except for grain and oil-bearing crops, has increased at a varying degree. Production of major industrial goods has increased by a relatively big margin while light industrial products and agricultural production means in short supply in the market have also grown fairly rapidly. The total volume of retail sales and export-import trade has registered a marked rise. Overall, the people's livelihood has continued to improve on the basis of expanded production.

Yao Yilin said: In spite of the sustained growth in social production, we have encountered quite a few difficulties in economic life that should not be neglected, with the most serious one being the obvious aggravation of inflation and drastic increase in commodity prices. Thanks to the implementation of the various policy measures adopted by the party Central Committee and the State Council following the 3d Plenary Session of the 13th CPC Central Committee, the rapidly rising trend in commodity prices has been somewhat subdued, the people's savings deposits have increased after a decline,

and loans have been cut fairly substantially. However, the economy has remained overheated, while the excessive demand for supply has not yet been brought under control.

Reviewing the progress in implementing the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, Yao Yilin said: Judging from the progress over the past 2 months, fruitful results have been achieved by all localities and departments. However, leading cadres at various levels are still confronted with problems which have been caused by inadequate estimation of difficulty in the economic life and ideological preparations for the effort required to bring inflation under control. Hence, some localities and units have assumed a wait-and-see attitude and gone through motions in implementing the guidelines, while a majority of localities and units have not yet demonstrated their determination to implement the guidelines. In the process of mapping the arrangements for the 1989 plan, we should further enhance our ideological awareness so as to implement the guidelines with action and concrete measures.

Yao Yilin said: According to the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and in light of the current situation, it is necessary to adhere to the following guiding principles in mapping arrangements for the 1989 plan:

—Compress total demand and institute a tight financial and monetary policy. We should, primarily, make determined efforts to reduce the investment scale of capital construction, especially extrabudgetary investment, and at the same time strictly control the increase of consumption funds. Herein lies the key to improving the economic environment and rectifying the economic order.

—Rationally readjust the structure, straighten out the relationship between various economic sectors, and improve economic efficiency. In order to avoid economic stagnation while reducing demand, it is necessary to coordinate with the efforts to readjust the structure so as to optimize distribution of our limited financial resources for markedly increasing efficiency and supply of goods in demand. We should work out a clear-cut production policy next year, and use this policy as the basis for readjusting the structure of investment, product mix, consumption, and enterprises.

—Combine the improvement of economic environment and rectification of economic order with deepening of the reform in all fields next year. The pricing reform should be slowed next year, while enterprise reform, macro regulation and control systems should be stepped up. Through the improvement, rectification, and reform, we should be able to gradually establish a macro regulation and control system during the transition from the old structure to the new.



—Map out meticulous arrangements for the 1989 plan and make sure that it dovetails with the plan for subsequent years.

Outlining the main aspects of the 1989 plan, Yao Yilin said that it is necessary to maintain an appropriate economic growth rate while strictly controlling demand and growth while improving supply so that the rise in the retail price index will be conspicuously less than that of this year. He said: The plan for next year should have six main features: 1) A fairly large increase in agricultural production, particularly the output of grain and cotton, will be guaranteed; 2) all-out efforts will be made to adjust the industrial product mix and resolutely reduce the excessively high industrial growth rate; 3) the scale of fixed asset investment will be firmly curtailed, and the investment structure reasonably adjusted; 4) the excessively fast growth of demand for consumption will be put under control, and good arrangements made for the people's daily lives; 5) the structure of imported and exported commodities will be rationalized and foreign trade further expanded; and 6) further efforts will be made to develop science and technology, education, culture, and public health.

Yao Yilin pointed out in the report: Formulation of next year's plan is a rather difficult task involving many problems. To achieve a preliminary overall balance, we must successfully solve such striking problems as financial balance, credit balance, foreign exchange balance, and balance between the supply and demand of energy, raw and semifinished materials, and transportation facilities. The propriety of next year's plan, he stressed, is of great significance to our task of improving the economic environment and rectifying the economic order set forth at the 3d Plenary Session of the 13th CPC Central Committee.

#### Li Peng Speaks at Closing of Planning Conference

**Reiterates Honoring Foreigners' Contracts**  
HK0512123888 Beijing XINHUA Hong Kong Service  
in Chinese 1120 GMT 5 Dec 88

[Report by reporter Sheng Zuren (4141 4371 0088): "Li Peng Reiterates That Contracts Which Have Been Signed With Foreign Companies Must Continue To Be Executed"]

[Text] Beijing, 5 Dec (XINHUA)—The Premier of the State Council Li Peng said here today: Contracts which have been signed with foreign companies must continue to be executed to strictly keep our promise.

In his speech delivered at the closing session of the National Planning Conference and National Work Meeting on Economic Structural Reform, he reiterated: We should closely integrate the deepening of reform with the work of improving the economic environment and rectifying the economic order.

He stressed: We should stick to the policy of opening up, and make full use of the favorable conditions for opening up to reduce the difficulties encountered in improving the economic environment and rectifying the economic order.

Li Peng pointed out: We must make full use of the current favorable opportunity to further develop economic cooperation and technical exchanges with foreign countries. We should continue to implement the strategy for the development of the coastal areas, so that the strategy and the improvement of the economic environment and the rectification of the economic order will promote each other.

Li Peng continued to say: In accordance with the demand of our industrial policy, we should guide the direction of the investment of foreign capital, encourage foreign businessmen to establish enterprises solely run by them, and make use of the existing buildings and facilities of Sino-foreign ventures in China to actively promote the development of the export-oriented economy characterized by "both ends abroad" without consuming raw and processed materials which are in short supply at home.

**Urges Macroeconomic Control**  
OW0512125788 Beijing XINHUA in English  
1244 GMT 5 Dec 88

[Text] Beijing, December 5 (XINHUA)—China will use necessary administrative means to tighten macro-economic control if economic means do not produce the desired results, Premier Li Peng said here today.

The administrative means include measures and methods that have been used and proved effective in the past, he added while addressing high-ranking officials attending a national planning conference and a national conference on the reform of the country's economic set-up, which ended today.

However, he noted, "We will gradually relax these administrative measures if conditions so dictate in the future."

He stressed that these measures will provide a favorable environment for intensifying reforms and facilitate the development of the economic reforms.

The current austerity program calls for strict macro-economic control and readjustment. "That is necessary for China to develop its socialist planned commodity economy, an important part of the economic reform," he explained.

To curb rising inflation and readjust the economic structure, he said, China will also take other measures such as laws, disciplinary steps and ideological work, along with economic and administrative means.



In his hour-long report, the premier pointed out that slowing industrial growth is necessary for cooling the overheated economy and an inevitable outcome of the current economic readjustment.

**Reports State Grain, Cotton Purchases**  
*OW0512133688 Beijing XINHUA in English*  
1317 GMT 5 Dec 88

[Text] Beijing, December 5 (XINHUA)—China had fulfilled more than 80 percent of this year's state plan for grain purchases and over 70 percent of the plan for cotton purchases around the end of last month, Premier Li Peng said here today.

Addressing a national meeting on economic planning and reforms, Li said the state has purchased 5.5 million tons of grain more than in the same period last year, taking into account of what had been purchased at negotiable prices outside the state plan.

"It is certain that we will fulfill our plan for grain purchases," the premier said, adding that this has provided a guarantee for stabilizing markets next year.

He called on governments at all levels to keep on working in a bid to purchase as much grain and cotton as possible.

**Stresses Effective Administrative Means**  
*HK0512134288 Beijing XINHUA Hong Kong*  
Service in Chinese 1102 GMT 5 Dec 88

[Report by reporter Sheng Zuren (4141 4371 0088): "Li Peng Says That To Strengthen Macroscopic Economic Control, Necessary Administrative Means Are Needed"]

[Text] Beijing, 5 Dec (XINHUA)—The Premier of the State Council said here: In the course of strengthening macroscopic economic control, we should do our best to make use of economic means provided that they are effective. If no effective results can be achieved speedily through the implementation of the economic means, necessary administrative means are needed, including some effective means and methods which we used in the past.

At the National Planning Conference and National Work Meeting on Economic Structural Reform which ended today, he stressed: To improve the economic environment and rectify the economic order, we should strengthen and improve the macroscopic economic control. This is the demand of the development of the socialist planned commodity economy, and an important content of the reform as well.

He continued: To effectively check inflation and readjust economic structure, macroscopic control should be realized through economic, administrative and legal means, discipline and ideological work.

He added: We should do our best to standardize and legalize both economic and administrative means to reduce subjective inclinations. (zhu guan sui yi xing 0031 6034 7131 1942 1840)

He quoted Zhao Ziyang's remarks as saying: Of the administrative means which are currently in use, some are needed for the establishment of the new order of the socialist commodity economy. He stressed: "These means are needed now, and we must continue to persist in them in the future." He added: We cannot but adopt some of the means now. However, with the ripening of the conditions in the future, we should gradually reduce them.

He emphasized: General speaking, the purpose in adopting such administrative measures is to create a favorable environment for deepening the reform. This is beneficial to the healthy development of reform.

In his speech which lasted about one hour, Li Peng pointed out: We should not regard our present efforts to reduce the speed of economic growth to the level demanded by planning as a "declining slope of production." (sheng chan hua po 3932 3934 3323 0980)

He believed that the reduction of the speed of economic growth is needed in order to cool down the overheated economy. It is also an inevitable result of economic readjustment. But we must do our best to avoid the excessive drop of industrial growth, because it is difficult to ensure minimal and effective supplies under such a situation.

Li Peng continued: In the course of economic readjustment, we will encounter many difficulties. But this has provided us with an opportunity. This will completely change our guiding thought for organizing production. Instead of mainly relying on the increase in investment, expansion of production scale and accelerating the speed to increase our financial income, we shift to the method of relying mainly on strengthening management, improving technology and enhancing our economic results and benefits.

He emphasized: We should grasp this opportunity of readjustment so that China's economic development will take a turn for the better. He said: "As long as we make efforts to do the work of reform and construction well, and closely link them together, it is possible for us to improve our economic structure, and enhance our economic results. This will enable us to make a new breakthrough in the fundamental solution for China's economy, which is of profound significance. This will enable us to open up a road for the long-term and stable development of China's economy."

**Radio Report on Li Peng Speech**  
*HK0512044388 Guangzhou Guangdong Provincial  
Service in Mandarin 0400 GMT 5 Dec 88*

[Text] According to XINHUA, the National Planning Work Conference and the National Economic Structural Reform Work Conference concluded in Beijing this morning. State Council Premier Li Peng attended and made an important speech. Premier Li Peng spoke mainly on the following points at the conference today:

1. Resolutely and conspicuously place the emphasis in reform and construction on improving the economic environment and rectifying the economic order, and ensure that next year's price increases will be markedly lower than this year's.
2. At present it is essential to concentrate on curbing excessive social demand, and at the same time improve and increase effective supply, to gradually achieve a rough balance of total social demand and supply and of its structure.
3. Do a good job in organizing commodity supplies for the markets, strictly control prices, and make proper arrangements for people's daily life.
4. Closely integrate persevering in reform and opening up with improving the economic environment and rectifying the economic order.

**'Old-Man Faction' Attacks Zhao Ziyang Policies**  
*HK0212144088 Hong Kong CHENG MING in Chinese  
No 134, 1 Dec 88 pp 6-10*

["Notes on the Northern Journey" by Lo Ping (5012 0393): "Zhao Ziyang's Three Braids Have Been Seized Upon"]

**[Text] A Senior Official Who Has Most Frequently Made Self-Criticism**

In recent months, among the senior CPC cadres we believe that the one who has made the most frequent self-criticisms is General Secretary Zhao Ziyang, rather than other government profiteers.

Since the Beidaihe meeting this year, Zhao Ziyang has made several self-criticisms inside the party. However, the old-man faction and those who have nursed a grievance against him still do not want to let him off. According to sources close to the highest leadership stratum, at a criticism and self-criticism meeting held at the end of last October in Zhongnanhai, Zhao again made a 40-minute self-criticism.

The content of Zhao's self-criticism was all-embracing, ranging from economics to his methods of handling matters. Wan Li also spoke at the meeting, stressing that

the achievements of reform are obvious to all and that reform must not be completely negated because some problems have occurred. It was clear that he spoke in defense of Zhao.

**Shift of Focus in Criticism of Zhao**

Apart from repeatedly attacking Zhao's radical economic policy and measures (this is one of the major braids), the old-man faction has seized on his two other braids: First, his decision to allow Fang Lizhi to attend an academic meeting in Australia; and second, his decision to approve the screening of the television drama the "River Elegy." Criticism has been made too frequently of Zhao Ziyang's economic ideas, including: Using (limited) inflation to stimulate production and make the economy prosperous; implementation of the great international circle strategy for the coastal area; high-volume imports and exports; and defects in his work style and methods like refusing to listen to more divergent views (the views aired by Chen Yun and others), too much meddling in the work of the State Council, and so on. The focus of criticism has recently shifted to his problems in two other aspects.

**Wang Zhen: I Oppose the "River Elegy." Will the General Secretary Expel Me From the Party Because of This?**

One of the prominent representatives of the old-man faction is Vice President Wang Zhen. In recent months he has criticized the "River Elegy" on three occasions.

He first criticized the television drama before he went to Ningxia. He secretly asked someone to write an article criticizing the drama but a party newspaper in Beijing refused to publish it.

Taking the opportunity to participate in the celebrations marking the 30th anniversary of the founding of Ningxia Autonomous Region, he spouted a stream of long and empty rhetoric criticizing the "River Elegy." The interview was published "exclusively" by NINGXIA RIBAO. This was his second criticism of the "River Elegy."

The third criticism took place on his way back from Ningxia to Beijing. When he was interviewed on a train he launched a most vicious attack on the "River Elegy."

A reporter asked him: "I have heard that some central leaders support the television drama 'River Elegy.' What do you think of it?"

Wang Zhen seized on this question to exaggerate the matter. He said: "He is the general secretary but what can he do to me? I oppose the 'River Elegy,' but I don't think he dares expel me from the party!"

**A Whole Clip of Bullets Being Shot at Zhao Ziyang**

The remarks were like a shrew shouting abuse about Zhao Ziyang.



The remarks have enabled people to realize that the television drama "River Elegy" opposes the feudal ideology of the old-man faction. Therefore, the old men intend to eradicate it. In the meantime, because the screening of the television drama was finally approved by the general secretary, Zhao Ziyang became the target of attack for a whole clip of political bullets.

Criticizing or repudiating literature and works of art has become a means of struggling and scrambling for power and gains inside the CPC. It is one of the "fine traditions" of the CPC that was prevalent during Mao Zedong's times. It still is in the current period of Deng Xiaoping. What a tragedy for such a party!

**A Member of the Political Bureau Standing Committee:  
The "River Elegy" Might Ruin Zhao Ziyang**

We must not think that "the 'River Elegy' incident" is a trivial matter. It was reported that one of the members of the Political Bureau Standing Committee thought that the three attacks launched by General Wang Zhen might change the political climate. General Secretary Zhao might step into the old shoes of General Secretary Hu. Therefore, he made known his position at a meeting of the Central Propaganda Department by saying: "As the 'River Elegy' is a reactionary film, it is necessary to criticize it!" Wang Renzhi, director of the Central Propaganda Department, followed him, accusing RENMIN RIBAO of successively publishing articles connected with a "Disturbance in Shekou." He sighed feelingly and said: "When the party newspaper is in the hands of those people it is difficult to avoid some tendencies."

Another of Zhao's braids that the old-man faction has seized upon is the remarks by Fang Lizhi in Australia about bank deposits of CPC leaders in foreign countries.

**Deng Xiaoping: "Fang Lizhi Must Not Miscalculate the Situation"**

It was revealed that at a meeting of the highest leadership stratum held in the second half of October, Deng Xiaoping criticized Fang Lizhi by name. Deng Xiaoping has been extremely dissatisfied with Fang Lizhi. He said: If he (Fang) thinks our party is weak, he must have miscalculated the situation. Deng Xiaoping added: Everyone, including Fang Lizhi, must be responsible for what they say.

Deng Xiaoping criticized Fang several times. The above-mentioned criticism was the most severe. In Mainland China people never think the Communists are "weak" in suppressing dissidents. We do not think Fang Lizhi has miscalculated the situation either.

The most severe criticism was given by the state vice president.

**Wang Zhen: The Three Vicious Attacks Can Never Be Tolerated by State Law!**

In early October, at a meeting in the Great Hall of the People, Wang Zhen thumped the desk to scold Fang Lizhi in front of several members of the Secretariat. He asked: We really cannot do anything to him (Fang)? He has viciously attacked our party, Comrade Deng Xiaoping, and various of our party's policies. This cannot be tolerated by state law. I am not afraid of offending people.

He accused Fang Lizhi of "viciously attacking" the party and warned him that this "cannot be tolerated by state law." Does he really intend to strike Fang Lizhi with the "iron fist of the proletarian dictatorship," or is it only a threat?

Of course, these Marxist-Leninist senior statesmen bitterly hate Fang Lizhi, who has now become a symbol for the democratic movement on the mainland. But the old-man faction is employing the strategy of killing two birds with one stone—namely, by hitting both Fang Lizhi and Zhao Ziyang.

**CANKAO XIAOXI (REFERENCE NEWS) Carried  
Articles Formerly Published in a Hong Kong  
Newspaper**

After Professor Fang returned to the mainland from Hong Kong, there were some hearsay stories about him. A young senior official in Zhongnanhai talked about the problem of Fang slandering the CPC leaders. He said legal proceedings could be taken against him. Fang Lizhi said that if they did so it would be a good thing, because this would show that the CPC abides by the law. But he believed he would have no opportunity to appear in court. Intellectuals in Beijing do not think the senior officials in Zhongnanhai would hastily bring him to court for trial.

It was reported that at a meeting of the highest stratum, participants talked about the issue of senior CPC leaders' bank deposits in foreign countries, which Fang Lizhi had mentioned. But who is willing to talk about his economic problems, or expose the problems of so-and-so in his network of relations? After repeated careful consideration, the decisionmakers rejected the ideas of the young senior Zhongnanhai officials. After that, the following happened:

On 23 September, CANKAO XIAOXI, published by the XINHUA NEWS AGENCY (headquarters in Beijing), carried the full text of an article entitled "Why Have the Rumors Become So 'Prevalent'?"—formerly published in Hong Kong's MING PAO on 21 September. The author of the article, Yuan Cho-wen, said: "Our beloved Professor Fang made use of unverified material contained in big-character posters to charge other people. The abnormal method of big-character posters was popular during the Great Cultural Revolution, but has now



been excised from the Constitution. It is too perfunctory and unscientific for Professor Fang to use. He has completely failed to attach importance to law."

**Criticism Escalates, Fang Lizhi Criticized for "Libelous Behavior"**

On 19 October, Hong Kong's MING PAO published another Yuan Cho-wen article entitled "Fang Lizhi's Way of Doing Things Is Libelous Behavior." This was an escalation of the criticism of Fang Lizhi. The article said: "Fang Lizhi openly announced that 'main Chinese leaders have bank deposits abroad.' This undoubtedly manifests the main characteristics of libel." It added: "When facts prove that Fang Lizhi has truly violated the law it will be difficult for him to escape punishment." Two days later the CANKAO XIAOXI in Beijing again carried this article.

Fang Lizhi has been placed as a defendant in the so-called "Court of Morals." The "power of the proletarian dictatorship" has even been demonstrated slightly.

Intellectuals in Beijing no longer insist that Fang Lizhi will not be charged with libel.

It is unfair for Beijing to do this. It is our firm belief that Fang Lizhi's articles will not be published in any XINHUA journals. Can he still publish his articles abroad as he previously did? The answer is no. Fang Lizhi has read the two articles carried in CANKAO XIAOXI. He is, of course, not convinced. In a lecture given at Beijing University, Professor Fang mentioned this issue.

**Fang Lizhi Intends To Charge Those Who Attack Him on the Libel Offense**

On 9 November, Professor Fang Lizhi gave a lecture at Beijing University entitled "Physics and Beauty." This was his first lecture since returning home from Australia.

The biggest lecture theater in Beijing University was full for his lecture. Some of the audience stood on desks, or pressed close together outside the lecture theater to listen to their beloved Professor Fang. Because the lecture theater was filled to capacity, Fang Lizhi was compelled to enter the hall through the "back door," a door which is usually closed. Once he entered the theater he was greeted with thunderous applause.

He talked about natural science issues, but since his lecture also concerned "beauty," he talked about problems in other fields.

After the lecture he answered students' questions. When discussing how someone in Hong Kong had accused him of being guilty of the "offense of libel," this No 1 political dissident in mainland China fully demonstrated

his self-confidence. He said: Now that I do not have the opportunity to return to Hong Kong, it is impossible for me to strike back. Otherwise, I would also charge him with the "offense of libel."

**Beijing University Students Support Professor Fang**

All the students at Beijing University expressed their support for Fang Lizhi.

A few days after the meeting, Beijing University students were still discussing whether Fang Lizhi would be formally charged with libel and whether he would be able to win the case if he countercharged his accusers. Finally, they reached the following conclusion: If Fang Lizhi were the defendant in court he would be able to turn the prosecutor into the defendant. Although the party is above the law, if all or even one of the party leaders were to fail to make public his property or make public the exact amount of his property, then Fang Lizhi would win the case in court. It was believed that Fang Lizhi had politically gained the upper hand and would not be defeated.

**Will the Political Old Men Dare Go to Law Against Fang Lizhi? Bo Yibo Criticized Beijing's JINGJI RIBAO**

Apart from employing the method of "turning exports into domestic sales" to attack Fang Lizhi in order to get at Zhao Ziyang, the conservative faction also brought pressure to bear on newspapers and magazines that supported Zhao Ziyang's reform line. It has been learned that over the past 2 months Beijing's JINGJI RIBAO, which had consistently given its support to reform, has been repeatedly criticized by the CPC hierarchy and by the Propaganda Department of the CPC Central Committee. At a meeting of the Standing Committee of the CPC Central Advisory Commission, Bo Yibo, vice chairman of the CPC Central Advisory Commission, criticized JINGJI RIBAO. Bo Yibo said: "Some of the articles published by JINGJI RIBAO are inappropriate in terms of title and content and are aimed at catching up with the trend. Publication of these articles has caused unnecessary disorder in our economic theories."

**RENMIN RIBAO Accused of Making Four Major Mistakes**

The prudent RENMIN RIBAO has also recently been caught in a dilemma because Hu Qili, Wang Renzhi, and some others have accused it of "making four major mistakes." Please note that the so-called "four major mistakes" do not include anything concerning the television drama "River Elegy." The first "major mistake" is related to the "Shekou disturbance," where RENMIN RIBAO has been accused of advocating bourgeois liberalization. The second "major mistake" is related to the "Shenyang stock disturbance," where RENMIN RIBAO has been accused of publishing a report which said that the officials living in Zhongnanhai's southern yard rushed to buy shares. It then published a correction to

the report on its front page the following day. The third "major mistake" is related to the publication of an essay entitled "New Ideas on Cultural Heritage," and RENMIN RIBAO has been accused of opposing the traditional culture of China by publishing this essay. The fourth "major mistake" is related to the publication of a cartoon entitled "Secretary Bai" in the RENMIN RIBAO OVERSEAS EDITION. The cartoon satirized a party secretary who eats, drinks, and takes things without paying. Li Ximing, the newly elected member of the Political Bureau and concurrently secretary of the Beijing Municipal CPC Committee, was particularly indignant at the publication of this cartoon and forthrightly told Hu Qili, who is in charge of ideological work: "The publication of such a cartoon at this moment can exert a very bad influence because it is aimed at negating the party's leadership!"

**The Launching of a New Campaign "Opposing Bourgeois Liberalization" Is Presently Under Consideration**

In light of the aforesaid "four major mistakes," Hu Qili seriously admonished the leaders of RENMIN RIBAO as follows: "Under the present circumstances, it is extremely impermissible to publish things which can only harm friends and please the enemy!" What Hu Qili was hinting at was that the CPC Central Committee's RENMIN RIBAO had committed a political mistake which "made friends suffer and the enemy feel happy" and that RENMIN RIBAO should not publish anything of this kind in the future. Hu Qili, who is one of the five members of the Standing Committee of the Political Bureau of the CPC Central Committee, has only recently been reported to publicly advocate "media supervision" and say that the CPC Central Committee "welcomes criticisms." However, when confronted with specific questions, Hu Qili changed his tune and became angry at any criticisms he heard.

Various signs indicate that the launching of a new campaign "opposing bourgeois liberalization," something unheard of for a long time, is presently under consideration.

Just as they considered Hu Yaobang the umbrella for bourgeois liberalization in the past, the political old men now consider Zhao Ziyang the umbrella for bourgeois liberalization.

Thus, launching a new campaign opposing bourgeois liberalization is thought to be a way of killing two birds with one stone. However, under the present circumstances it would be very difficult to launch such a campaign, even if it were called a political movement. If the old-man faction really wants to launch such a movement, it will have to launch it in a new form. To this end, the political old men will most likely try some little tricks or launch an "underground struggle."

Should such a movement be launched, the political life of Zhao Ziyang, who is considered the "protector" of bourgeois liberalization, would certainly be in danger.

**Zhao Ziyang Finally Submitted to the Old-Man Faction**

Perhaps Zhao Ziyang has foreseen such an outcome or perhaps he wants to protect his political life. When some people, urged by a number of political old men and Wang Renzhi, were preparing to launch a mass criticism and repudiation of "River Elegy" just like the one they launched at one point against "Bitter Love [ku lian 5388 2043]," the general secretary voiced his disagreement with the move. At a CPC Central Committee Political Bureau meeting, Zhao Ziyang stressed that no mass criticism and repudiation should be launched. However, when Zhao Ziyang's reform line was severely criticized by the old-man faction inside the CPC, Zhao Ziyang retreated and submitted politically to the conservative faction. This can be seen in the following three respects:

1. Zhao Ziyang agreed to a nationwide ban on "River Elegy" and wrote on the report submitted to the central authorities by the Ministry of Radio and Television: "It is necessary to respect the views of the veteran comrades."
2. At two meetings held by the central authorities, Zhao Ziyang described Fang Lizhi's remarks as "recoiling from the reform."
3. Zhao Ziyang admitted that the ideological trend of bourgeois liberalization still has its market in society and within the CPC.

**Zhao Ziyang Is Likely To Retain His Post as General Secretary of the CPC Central Committee Until May 1989**

It can be said that under the severe attack launched by the old-man faction on his three major mistakes, Zhao Ziyang has finally announced his submission to the old-man faction. As for whether it is a strategic retreat or a total annihilation, we must still wait and see. However, there is one thing of which we can be sure: Zhao Ziyang is likely to retain his post as general secretary of the CPC Central Committee until May 1989.

In May 1989 the general secretaries of the two biggest communist parties in the world will probably shake hands and hold talks with each other in Beijing...

**CITIC Chairman Rules Out Devaluation**  
*HK0512061588 Hong Kong AFP in English*  
0608 GMT 5 Dec 88

[Text] Beijing, Dec 5 (AFP)—China International and Trust Investment Corp. (CITIC) chairman Rong Yiren denied Monday rumours among foreign businessmen in Beijing that China is planning to devalue the yuan.

"To my knowledge and understanding, we don't have any intention or plan to devalue," he told a news conference.

Mr. Rong, who heads China's biggest foreign investment concern and is arguably the country's most powerful businessman, also said he would consider opposition to a plan to force foreign firms to pay Chinese staff in dollars.

"We heard from the press this report," Mr Rong said. "We will give some consideration to the report and make our suggestions."

Foreign companies in Beijing, who currently pay for local personnel and services in Chinese currency, have reacted angrily to the move by the Foreign Enterprise Service Corp. Some foreign businessmen say the move reflects a lack of confidence in the yuan and could be the prelude to a devaluation.

The yuan is officially worth 3.7 units to the dollar but considerably less at various transaction centres around the country where foreign and local firms can buy and sell currencies. The Shanghai Foreign Exchange Transaction Centre, for example, was quoting the yuan at 6.25 to the dollar last week.

**Overtightening Money Supply May Harm Economy**  
*OW0512105388 Beijing XINHUA in English*  
1034 GMT 5 Dec 88

[Text] Beijing, December 5 (XINHUA)—Tightening the money supply is necessary to cool down China's overheated economy, but a too strict control of credit may hit production and make the situation even worse, today's "ECONOMIC DAILY" says in a news analysis.

The shortage of operating funds is now keenly felt and has hurt production and commodity circulation, the paper said.

Some state commercial departments have no money to buy farm products from farmers, a number of factories have had to reduce production because they lack funds to purchase raw materials, and even some bank offices have no more money to lend, the paper said.

The paper attributed the situation to a too severe "brake" on the economy, which has been excessively expanding in the last several years.

Statistics show that China's industrial production expanded from a 4.5 percent annual increase in 1981 to 17.7 percent in 1987, with bank loans for industry rising from 48.74 billion yuan to 204.36 billion yuan.

"It is absolutely right to make efforts to curb inflation but the cooling down needs time and cannot be effected in a single stroke," the paper said.

In controlling the money supply, the paper said, it is necessary to discriminate between productive and non-productive projects. "If agricultural production and the production of daily necessities are greatly affected by the money-tightening policy, the economy will fall into a vicious circle," the paper warned.

The paper suggested that the central bank should loosen its control on the supply of funds for purchasing farm products and operating funds for enterprises producing daily necessities, and the state should raise more money by issuing shares and bonds and selling houses. It also called for greater reduction of redundant investment in fixed assets.

**Zhao Ziyang Meets Students Returning From Abroad**  
*OW0412150788 Beijing XINHUA Domestic Service*  
in Chinese 1524 GMT 3 Dec 88

[Local Broadcast News Service by reporter Zhao Wei]

[Text] Beijing, 3 Dec (XINHUA)—Zhao Ziyang, general secretary of the CPC Central Committee, and other leading comrades this afternoon received at the Great Hall of the People some 50 outstanding students returning from abroad.

Amid applause, Zhao Ziyang, with a smile, introduced President Yang Shangkun and Premier Li Peng to the returned students. He pointed to Li Tieying, state councillor and chairman of the State Education Commission, and said: "He is your 'immediate superior'." Laughter followed. Zhao Ziyang then introduced leading Comrades Song Renqiong, Yan Mingfu, Yan Jici, Song Jian, Fang Yi, and Qian Xuesen.

Attending the reception today were representatives of students who had gone abroad to study, to pursue advanced study, and to engage in research after 1978. Since their return, they have become the leading forces in teaching, research, management, and production, and have performed meritorious service at their jobs. Among them, 44 have a senior job title of associate professor, associate researcher, or associate chief engineer, and about a dozen are senior officials at schools of higher learning, research institutes, and banking and industrial departments.

After the reception, the student representatives had an informal discussion with Li Tieying, Song Renqiong, Yan Jici, Song Jian, Fang Yi, and Qian Xuesen. Many students pointed out that China's policy of sending students abroad overall has been successful over the past decade and should be continued. At the same time, they made suggestions with regard to the problems they had experienced abroad. Some students said: Students returning from abroad are very anxious to serve the country. It is necessary to create the appropriate working conditions to provide them with a place to bring into



play their specialty. Others called for abolishing the outdated practice of stressing seniority so that returning students can have the opportunity of fair competition in employment.

After listening to the students' suggestions, Li Tieying stated: The policy of sending students abroad is a component of the general policy of reform and of opening China to the outside world. It will be continued and perfected in the course of practice. The government has confidence in the large number of students who have studied diligently abroad and who have won honor for the motherland. Li Tieying pledged to create the conditions and to work out the necessary coordinating policies to enable returning students to display their talent. He urged all the relevant departments to show concern, to help, and to support students returning from abroad.

Present at the discussion were officials from the State Education Commission, the State Science and Technology Commission, the Chinese Academy of Sciences, the Ministry of Public Health, and the Ministry of Agriculture.

**Li Peng Signs Council Decree on Public Gifts**  
*OW0412112388 Beijing XINHUA Domestic Service*  
*in Chinese 1518 GMT 3 Dec 88*

[Local Broadcast News Service]

[Text] Beijing, 3 Dec (XINHUA)—No 20 Decree of the State Council of the PRC.

"The Regulations on Forbidding State Administrative Organs and Their Working Personnel To Offer or To Receive Gifts While Performing Duty in the Country," adopted at the 26th executive meeting of the State Council on 22 November 1988, are hereby promulgated for enforcement.

[Signed] Premier Li Peng

[Dated] 1 December 1988

**Hu Yaobang's Latest Appearance Reported**  
*HK0312043188 Hong Kong CHENG MING in Chinese*  
*No 134, 1 Dec 88 p 15*

[Article from the "Reference News" Column by Kung Hsien (7895 6343): Hu Yaobang Immerses Himself in Reading Thread Bare Chinese Books"]

[Text] Hu Yaobang recently made an appearance at the mourning hall for deceased senior cadres in Beijing Hospital, to pay his last respects to Dr Ma Haide (George Hadem). The late Dr Ma Haide was born in the United States, and was known for his elimination of sexually transmitted diseases on the mainland, and for his expertise in treating leprosy. Therefore, gossip about Hu Yaobang going abroad is sheer rumor.

According to someone who had worked in Hu's office, this enlightened, liberal minded first general secretary of the Deng Dynasty has become increasingly despondent since he left the No 201 Office Building, Zhongnanhai, in tears. Seldom does he take part in the meetings of the Political Bureau, unless at the invitation of Deng Xiaoping and Zhao Ziyang; he confines himself to reading documents. When the Beidaihe meeting, with all senior cadres present, was in progress this summer, he was enjoying a life of ease and leisure on Zhifu Island, Yantai (along with Qinhuan Dao, the island was a summer resort for the First Emperor of the Qin Dynasty.)

My friend said that everyday, Hu Yaobang practices Chinese calligraphy, studies thread bare Chinese books, and concentrates his attention on studying Chinese literature and history. He has showed great interest in the imperial remarks on memorials to the throne throughout the dynasties in the Palace Museum's collection. His visitors would find ancient books all over his desk and bed, and the scene would remind them of Mao Zedong in his late years in Fengzelou, in the neighborhood of Haiyintai, Zhongnanhai; they could not help sighing for the former general secretary.

**CPC Leaders Discuss Technology With Scientists**  
*HK0312025988 Hong Kong LIAOWANG OVERSEAS*  
*EDITION in Chinese No 47, 21 Nov 88 pp 3-4*

[Article by Shi Baohua (2457 1405 5478): "CPC Leaders Meet Scientists"]

[Text] On 8 November, some 20 scientists sat calmly on the sofa behind the conference table in Huairan Hall at Zhongnanhai, Beijing. The mood of these scientists, who hurried back to Beijing from deserts, sea platforms, wilderness areas, and laboratories was not calm.

**China's Scientific and Technological Contingent Is Excellent**

At 0845 central leaders such as Qiao Shi, Hu Qili, Tian Jiyun, Rui Xingwen, Wen Jiabao, and others arrived at the conference room.

At 0900 Zhao Ziyang came into the room. He was in a dark blue suit, and shook hands with the scientists. He said with a smile: You scientists are very young!

At this time, Zhou Guangzhao, president of China's Academy of Sciences, began to introduce these scientists, who were invited to take part in the seminar, to the general secretary and other central leaders. "This is Wang Yuan." A man who was not very tall stood up from his seat. Zhou Guangzhao said: "He was one of the first students of Hua Luogeng, and is currently the president of the Mathematical Society."

"This is Bai Chunli!" A young man sitting west of the general secretary stood up. Zhao Ziyang looked at him and said: "You are very young!" "Yes," said Zhou

Guangzhao, "he is 35 years old, and is among the first generation of doctorate holders trained by us. He undertook research work in the United States as a visiting scholar and was rated highly by people within the profession there. They offered him a high salary to get him to stay, but his mind is on China. Since he returned, he has been working hard in the laboratories, day and night. The tunnel microscope he developed has reached world advanced levels. He is now the youngest researcher in the Institute of Chemistry." After listening to this, Zhao Ziyang and other central leaders nodded their heads, and gave their regards to him.

"Zhang Bijiang," Zhou Guangzhao continued to introduce the scientists. "He is director of the Shanxi Coal Industry Institute. He achieved a breakthrough in synthesizing oil from coal gasification. The price of the synthesized oil produced by his method of coal gasification is commensurate to the current price level of negotiated price oil."

At this point, Zhao Ziyang chimed in and said: "Among China's mineral resources, coal is the one that really has strong points. Transformation of coal and the study and development of the coal chemical industry are of extreme importance to China's economic development. If we want to develop China's agriculture, we should vigorously develop industries that aid agriculture. I once had the idea that we could cooperate with foreign countries and import foreign technology to develop China's coal and chemical industries and develop agricultural means of production such as chemical fertilizers, plastic sheets, and so on. It now seems that we have achieved a considerable level of development in using and studying coal, and in the coal chemical industry."

Zhou Guangzhao then introduced to Zhao Ziyang a series of research achievements in the coal chemical industry, and affirmatively said: "We have abundant chemical research strength, and we can fulfill all the tasks handed down by the state in research and development of the coal chemical industry!" Zhao Ziyang laughed happily after he heard this.

Soon afterward, Zhou Guangzhao introduced the other 23 scientists to the general secretary and the other central leaders. These 23 scientists were: Huo Yuping, Ye Chao-hui, Ai Guoxiang, Jiang Jingshan, Sun Yuke, Zhao Qiguo, Xu Yuexian, Yang Shengli, Tian Bo, Zhou Jun, Shen Yuanchao, Xia Xunchen, Yan Yixun, Ni Guangan, Hui Yongzheng, Xia Wuying, Li Yiyi, Hua Yuan-tao, He Yurong, Hou Xun, Wei Baowen, Zhang Cunhao, and Yu Jaiqi. All of them are scientists from China's Academy of Sciences and have made contributions in the realms of mathematics, physics, chemistry, geology, astronomy, botany, pedology, optical science, computer science, remote sensing, microelectronics, biology, genetics, metallurgy, biological engineering, and so on.

After listening to the introduction by Zhou Guangzhao, Zhao Ziyang said with sincere words and earnest wishes that China's scientific and technological personnel are excellent, and they have a very high scientific and technological level, a lofty devoted spirit, and great vigor. We have a considerable, strong industrial foundation, and the strong point that under a socialist system strength is easily concentrated on organizing cooperation, and on storming strategic passes. In addition, since our adoption of the policy of opening to the outside world, we have had a good environment, and good conditions for absorbing the world's advanced scientific technology. When these are combined, we can do a lot of things. Moreover, in the developing high-tech and technology-intensive industries, we will be able to develop our ability to the full.

#### Scientists Have Ample Scope for Their Abilities

When the seminar started, Li Zhensheng, vice president of the Academy of Sciences of China, presented the situation of application of science and technology by the Academy of Sciences in developing the medium and low output areas of the Huang He, the Huai He, and the Hai He. Li Zhensheng said that since the party and government had proposed the renovation and development of the low output areas, some 5,000 people from 50 institutes of the Academy of Sciences of China have taken part in this work. Last year, some 2,600 scientific and technological personnel have directly taken part in the work of renovating and developing the low output areas. They set up experimental bases of scientific and technological improvement and development in areas north of the Huai He, and in north Henan, and satisfactory progress has been achieved. In five counties in Xinxiang City and Puyang City, a total area of 84.2 thousand mu of medium and low output fields have been renovated, and an additional 5.4 million jin of grain output was obtained. Fine varieties of sweet potatoes, soybeans, Chinese sorghum, maize, and cotton have been introduced and promoted in large areas, and fish breeding has been promoted to create conditions for establishing a commodity base. At the same time, in developing agricultural science and technology, the practice of making contracts is adopted. Apart from these, the breeding of lean-meat pigs and fine-variety chickens, rabbits, and quail has been developed; and projects on developing eco-agriculture, extracting the medical components from the internal organs of birds and animals, intensive processing of corn cobs, developing compound chemical fertilizers, developing high-grade edible mushrooms, and so on have also been developed. Moreover, studies on the agricultural development strategy for these areas have also been carried out.

The report delivered by Li Zhensheng aroused Zhao Ziyang's great interest. He often asked questions and tried to better understand the situation. When Li Zhensheng presented the next phase of work on improving and developing the plains of the Huang He, the Huai He, and the Hai He, Zhao Ziyang paid a great deal of attention to this.



Li Zhensheng said the key points of the "second battle" of the river areas are: First, in adapting to the situation of the short and tight supply of water resources, water-saving agriculture should be developed. Second, long-term effective chemical fertilizers should be studied and developed, and the evaporation of fertilized water should be reduced. Third, a fine variety of high output, drought-resistant crops should be bred and promoted.

Zhao Ziyang has many years of experience in leading agriculture. He said: China has insufficient water resources, particularly in the northern areas, which are very short. Therefore, it is very important to develop water-saving agriculture. Apart from the problems of adopting technical measures to develop water-saving agriculture, there is also a problem involving the economic policy on use of water resources. We should consider adopting the policy of using water resources with compensation, and collecting water fees. Your plan of using wheat stalks to cover the fields for preserving water has achieved good results. However, if water is used without compensation, peasants will not accept this measure. This is because they can get more returns from selling the wheat stalks to paper manufacturing factories than using it for covering the fields. If water fees are to be collected, they will calculate the returns. At present, there is no reasonable economic policy on using water resources; and consequently, water is very often wasted in areas at the upper reaches where there is plenty, while areas in the lower reaches have shortages.

After Zhao Ziyang had given his opinions on this specific issue, the atmosphere of the seminar became more active. Zhou Guangzhao took the lead and said: "At present, scientific services are services to be taken without compensation. For instance, when fine varieties are developed by research institutes, it is the seed companies that get the profits, while scientific and technological personnel receive no benefits. They do not even have funds for conducting further study."

Zhao Ziyang said: "This issue merits study. The state should support scientific research. However, research should not rely only on the state. The support of the state should be regarded as a starting force for the development of science and technology. At the beginning, the state will give support. When the results of scientific research are spread, and when the masses see the returns, they will have confidence in scientific and research results, and they will then be willing to buy technology. This is a practice adopted by foreign countries. At the beginning, chemical fertilizers were given free to peasants. Later on, when peasants saw the returns, they were willing to buy these fertilizers."

Zhao Ziyang continued, saying: The results of China's agricultural science and technology are very obvious, and have contributed to agricultural development. It seems that the projects on the Huang He, the Huai He,

and the Hai He are a huge social system project, and agricultural science and technology personnel have ample scope for their abilities.

#### Contributions Should First Be Compared

The discussion was then shifted to the technological development and renovation work of the Academy of Sciences. Vice President Hu Qiheng spoke. She said: At present, some 7,000 people in the Academy of Sciences are undertaking technological development work, and the academy has already set up some 400 companies. These companies have become a substantial technological development force, and a lot of them are high-tech enterprises. For instance, the filters developed by the Shanghai Institute of Technology and Physics have a strong position on the international market, and some countries are very interested in them and want to invest in and cooperate in their development. Moreover, the Shanghai Institute of Materia Medica succeeded in developing a new cancer-resisting medicine. If industrial production of this medicine is possible, it will become a competitive, new cancer-resisting medicine. A foreign investor who knew about this approached us immediately about developing it on a cooperative basis....

At this point, Hu Qili chipped in: "We welcome real cooperation. However, some people are not aiming at cooperation, but at getting to the people who control key technology...."

Hu Qili's words aroused the scientists' sympathy. Some said this sort of situation has already occurred. A foreign company wanted to use \$20,000 to get the people who control key technology in one of our institutes.

Zhou Guangzhao continued on this topic and said that at present there is a question of the remuneration of technological personnel. On the international market, the remuneration of technological personnel is very high. However, our rewards are very low. Under these conditions, the brain drain problem cannot be solved.

Hu Qili said with the same feeling that this problem should be solved, and a special policy adopted. It is best to reward inventors; the link between the reward and the units where the inventors work should be cut off. Moreover, the encouraging method of granting state or social rewards should be adopted.

"It is difficult to achieve! When great rewards are granted, some people will compare them and be jealous. Consequently, people who have received rewards will find it unbearable," said one scientific and technological worker.

After listening to these words, Zhao Ziyang chipped in and said: "For really valuable inventions, we should be bold in breaking equalitarianism, and give great rewards. Great rewards will be given to those who have made



remarkable contributions. In making comparisons, contributions should first be compared. Giving great rewards to people who have made remarkable contributions matches the principle of distribution according to work. Of course, at present we should avoid great disparities."

#### **China Should Have a Sense of Urgency in Developing Science and Technology**

Zhou Guangzhao, Hu Qiheng, and others then talked about the next step of the reform of China's Academy of Sciences. Zhou Guangzhao said: After some years of deliberation and consultation, we decided to implement the "one institute, two systems" reform. The so-called "one institute, two systems" means that within the system of the Academy of Sciences, all categories of institutes should be further managed well, and all efforts should be devoted to solving scientific problems that affect the general situation and are of a strategic and fundamental nature, arising from the course of social and economic development. Apart from these, a number of enterprises that depend on the market for guidance, that are backed up by technology, and that are undertaking commodity development should be set up in order to contribute to the opening up and development of China's high-tech industry and promotion of the advancement of technology and science.

Zhou Guangzhao said: "In adopting 'two systems' in one institute, different evaluation standards and methods should be adopted to handle the two different kinds of work. Moreover, different operation mechanisms, management models, and management systems should be adopted."

Zhou Guangzhao expressed that while the policy of "one institute, two systems" is being implemented, the principle of opening to the outside world, enabling circulation, and uniting and facing the whole country and the world should be resolutely upheld and implemented. Moreover, contacts with society should be enhanced, vigor should be enhanced in the circulation process, and standards should be raised through competition.

Zhou Guangzhao said with confidence: We believe that when these two types of work are grasped, and when the enthusiasm of the two systems' scientific and technological personnel is aroused, a new situation in the work of the Academy of Sciences will be brought about. The Academy of Sciences will contribute to the development and prosperity of China's sciences.

It was 1130 when Zhou Guangzhao finished his speech. After having a look at his watch, Zhao Ziyang asked: Who else would like to speak?

"I would like to make several points that you did not mention," said Zhao Ziyang. "I am very happy to have this opportunity today to meet the scientists. The party

and government are very grateful for scientists' contributions. China's Academy of Sciences has achieved good results this year. Encouraging results have been obtained in developing high-technology, and in realizing the combination of scientific research, production, and management."

Zhao Ziyang freely discussed the present situation with the scientists. He pointed out: Reform and opening to the outside world is our general policy and general principle. Similar to a mighty river flowing eastward, this policy and principle cannot be stopped. He continued, saying: The situation at the battlefield of science and technology this year is also good. It can be said that this year has been a good harvest year for science and technology—meteorological satellites were launched, submarine-powered missiles were successfully launched, the successful operation of an electron positron collider was achieved in Beijing, new achievements were made in nuclear technology, and the medium and low output fields were developed in the plains of the Huang He, the Huai He, and the Hai He, etc. These things illustrate clearly that our scientific and technological personnel are excellent. Our scientific and technological personnel not only have high academic standards, but also the spirit of being devoted to the motherland, the people, and science. The party and people will never forget their contributions!

Zhao Ziyang said: It is correct for the Academy of Sciences to place the main scientific and technological strength on the main battlefield serving the national economy, and at the same time to maintain a team of capable personnel to carry out scientific research and track high-technology. However, although we advocate that science and technology should serve economic construction, we cannot ignore basic research. Basic research and tracking of high-technology are related to the reserve energy of all scientific and technological work. Moreover, they have the value of development and application, and can obtain returns. Therefore, the enthusiasm of the personnel engaged in developing and applying high-technology and basic research, and that of the personnel engaged in studying high-technology and basic research should be mobilized, and we should make it possible for them to use their talents.

Zhao Ziyang stressed: We should have a sense of urgency in developing science and technology. Currently, detente prevails in the international situation. We should make full use of this opportunity to accelerate our pace of economic development and comprehensively increase national strength. This will require us to attach great importance and give play to the role of science and technology. Comrade Xiaoping recently said that science and technology is the primary productive force. Increased national strength in the future, and the raising of people's living standards and quality of life are, to a very great extent, dependent on the development of science and technology, and the combining of science

and technology with production. Therefore, the task of all of you here, and that of the scientific and technological personnel throughout the country, is a very glorious and arduous one!

Zhao Ziyang said finally that we should develop scientific and technological cooperation with foreign countries. Scientific and technological cooperation with foreign countries is an important component of China's policy of cooperation and exchange with foreign countries.

**Job Promotions for 6 Million Intellectuals**  
*OW0212121288 Beijing XINHUA in English*  
1542 GMT 29 Nov 88

[Text] Beijing, November 29 (XINHUA)—Some 800,000 intellectuals will be hired with senior job titles and more than 5.5 million with middle-ranking titles by the end of next year.

Minister of Personnel Zhao Dongwan said this here today at the opening ceremony of a meeting on personnel work.

This is an outcome of the new system of professional job designations initiated in 1985 and shows an eightfold increase in the number of senior workers in intellectual fields. It is also more than double the number of middle-ranking intellectuals in 1983, he said.

Under the new system, intellectuals will be paid according to their titles, which are supposed to be compatible with their abilities. Previously, wages were usually contingent on educational background and length of service.

"Though more than six million intellectuals have been given pay increases, on an average, white-collar workers still make less than manual workers," Zhao said.

The minister promised that higher pay and better working conditions will be provided for intellectuals during the next five years.

Zhao urged greater efforts to create a social environment in which intellectuals are respected.

Intellectuals will be encouraged to raise their own incomes through various channels following guidelines laid down by state policies, the minister went on.

Dialogue between personnel officials and intellectuals should be carried out at various levels in order to listen to the views and suggestions of intellectuals, the minister added.

**Article Analyzes Causes of People's Resentment**  
*HK0512114888 Beijing GONGREN RIBAO in Chinese*  
22 Nov 88 p 1

[Article by Wang Wenyi (3769 2429 5030): "A Comprehensive Review of Resentment"]

[Text] Comrade Zhao Ziyang pointed out at the 3d Plenary Session of the 13th CPC Central Committee that the people's resentment was concentrated on three problems: First, price increases; second, unfairness in social distribution; and third, corruption in some party and government organs. How should we treat the people's resentment?

First of all we should honestly admit the people's resentment about these three problems and that this resentment is serious. It is endangering the people's personal interests, poisoning the general mood of society, ruining stability and unity, and becoming an obstacle to reform. In this sense, their resentment is justified and comprehensible.

We should understand that the people do not bear resentment against reform but against corrupt and negative situations. In essence, their resentment portrays their concern and support for reform as well as their trust in the party. They are expecting much hope from reform and the party. They are expecting that through reform and effective work the party can resolve corrupt and negative situations or reduce them to a minimum.

The people's resentment about the three problems also indicates their sincere criticism of the mistakes and inefficiency of the party and the government in their work due to a lack of experience. In particular, their resentment reflects their sincere criticism of the loss of macroeconomic control, ineffectiveness in ideological and political work, and lack of coordination between spiritual and material civilizations. This criticism has been well accepted by the party and the government. Recently the central authorities decided to focus reform and construction on improving the economic environment and rectifying the economic order and to take a number of resolute measures. In a sense, these have also been concrete actions taken by the party and the government according to the people's suggestions.

However, this is only one aspect of the problem. As I see it, it will not do just to complain or to express anger and dissatisfaction. Strictly speaking, this is only an expression of thought in a passive manner and will not help resolve the problems but will instead add to their troubled minds and weaken their morale. Therefore instead of complaining, a person who is determined to carry out reform should exert himself and raise his sense of responsibility for society. We should not avoid difficulties but should instead remove our resentment in the course of our work, enhance our understanding of the central authorities' instructions, and increase our courage and confidence in overcoming difficulties. We



should be of one heart and one mind with the central authorities, carry out their principles, policies, and measures, and turn our resentment into a force that helps develop the productive forces, improve economic results, and oppose corruption and bribery.

We should be resolute in resolving the people's resentment and should not be overanxious for quick results. For example, complaints about the problem of consumption and income have resulted from overanxiety for quick results. When overanxiety for quick results comes to naught, it turns into a grumble. In short, social problems have resulted from various factors, and it takes time to resolve them. Fundamentally speaking, they should be resolved by means of deepening reform; they cannot be resolved at one stroke. It is necessary to make long-term preparations. It is unrealistic to attempt to resolve them overnight. We should not deviate from our actual conditions or handle them according to our ideal thinking. Instead, we should take a realistic approach in resolving our problems. This is the symbol of a person being experienced in handling problems.

**National Discipline Inspection Conference Ends**  
OW0312034088 Beijing XINHUA Domestic Service  
in Chinese 1708 GMT 29 Nov 88

["Local Broadcast News Service;" by reporter Hu Qinghai]

[Text] Beijing, 29 Nov (XINHUA)—At the Second National Discipline Inspection Working Conference on Handling People's Complaint Letters and Calls, which ended on 29 November, Xiao Hongda, deputy secretary of the Central Discipline Inspection Commission, stressed that discipline inspection commissions at all levels must focus on the combat against graft and bribe-taking in investigating and handling illegal cases and must strictly enforce party disciplines to struggle against various phenomena of corruption through their investigation and handling of illegal cases.

Qiao Shi, member of the Standing Committee of the Political Bureau of the CPC Central Committee and secretary of the Central Discipline Inspection Commission, met with all the representatives participating in the conference in the Great Hall of the People and had a group photo taken with them on 29 November.

Addressing the closing ceremony, Xiao Hongda said: Conspicuous among party members' discipline violations investigated and handled by the discipline inspection organs in recent years are economic crimes, while the most striking problems among economic crimes are graft and bribe-taking. According to the statistics of the General Office of the Central Discipline Inspection Commission, the discipline inspection commissions at all levels investigated and handled over 460,000 cases of economic crime committed by party members between 1982 and 1986. Among them, 233,000 cases are graft and bribe-taking, which represents 51 percent. Statistics

by the department in charge of people's complaint letters and calls also showed that letters and calls exposing economic crimes comprise a considerably large percentage of all the people's letters and calls accusing and informing against party-member cadres. Taking 1987 for example, the office in charge of people's complaint letters and calls in the Central Discipline Inspection Commission received a total of 42,000 letters exposing offenses committed by cadres who are party members. Nearly 10,000 of them, approximately 25 percent, were about economic crimes. It is thus obvious that the combat against graft and bribe-taking is a major task for not only the procuratorial and supervisory organs but also for the discipline inspection organ.

Xiao Hongda stressed that the discipline inspection commissions at all levels must particularly attach importance to and reply on the clues provided by the channel of people's complaint letters and calls and must fully safeguard the democratic rights of party members and the masses as well. He said: The Central Discipline Inspection Commission handled a total of more than 2.26 million cases of people's complaint letters and calls during the 9 years from 1979 to 1987. About a million cases of them were about work style and disciplines of the party; and 80 percent of these million cases were letters that made accusations and offense reports. The discipline inspection commissions at all levels received a total of more than 23.44 million complaint letters and calls from 1979 to 1987. Over 15 million complained about party work style and discipline violations; and the overwhelming majority of the 15 million cases accused party members and cadres who are party members of all sorts of discipline violations and problems of unhealthy trend. These two statistics show that it would be difficult to carry on the work of discipline inspection of the party without the support from the broad masses of the people. In this sense, it may also be said that the work of discipline inspection draws its strength from reliance on the masses.

He pointed out: Acts that infringe on the democratic rights of the masses occur frequently in actual daily life. Some cadres who are party members, including a handful of leading cadres, do not welcome the problems exposed by people's complaint letters and calls. Especially when they find themselves implicated in such exposures, some of them abuse power to suppress, deliberately make things difficult for, even retaliate against, and persecute informers who expose their offenses. Of all the letters and calls received by the discipline inspection commissions' department in charge of people's complaint letters and calls now, about 15 percent of them expose suppression of democracy and retaliation. It is very difficult to investigate and handle such cases due to various obstructions. More often than not, they cannot be settled even after having dragged on for years. This situation is not at all in tune with the current campaign to advocate supervision by the masses.



Touching on the issue of how to safeguard the democratic rights of party members and the masses, Xiao Hongda emphasized two points:

1. The discipline inspection commissions at all levels must earnestly treat the letters the people send in and the complaints they make when they call and effectively solve all sorts of problems reflected by them. They must have the courage to adhere to principles, face conflicts squarely, resist intercessions, do away with the interference of favoritism, and not act wrongly out of personal considerations, so as to earnestly and strictly handle all sorts of problems presented by people's complaint letters and calls.

2. They must attach importance to the fight against any infringement of the democratic rights of the masses, such as suppression of democracy, retaliation, and frame-ups. Those who retaliate against their informers, once found out, shall be dealt with according to the seriousness of their cases. There shall be no tolerance or indulgence for such persons.

He said: The most fundamental way to safeguard the democratic rights of party members and the masses is to closely integrate its implementation with the building of socialist democracy and the improvement of legal system, to put it onto the right course of handling matters according to law. To this end, the Central Discipline Inspection Commission is preparing to formulate a regulation for safeguarding the rights of party members, stipulating in explicit terms the contents of party members' rights, the exercise of such rights, and how to deal with any infringement of them on the basis of what have already been surveyed and studied. It is also preparing to formulate a regulation governing the work of treating people's complaint letters and calls, which will provide specific stipulations on the rights, obligations, and standards of conduct of the initiators of complaint letters and calls, the personnel who handle such cases, and the parties exposed by such letters and calls, in order to systematize and standardize the supervision for treatment of people's complaint letters and calls.

Chen Zuolin and Li Zhengting, deputy secretaries of the Central Discipline Inspection Commission, attended the closing ceremony.

**Minister Urges Protection for Forbidden City**  
OW0512085188 Beijing XINHUA in English  
0701 GMT 5 Dec 88

[Text] Beijing, December 5 (XINHUA)—Beijing's famed "Forbidden City", the abode of emperors for centuries, is a major historical resource, and prompt measures must be taken to save it from being "slowly but surely destroyed," Wang Meng, China's minister of culture asserts in an exclusive interview with the "GUANGMING DAILY".

The paper quoted the minister as saying that the former imperial palace and its grounds should not be regarded only as a place for sightseeing. It is also a state museum where visitors can experience a living example of traditional Chinese history and culture, Wang said.

A visit to the magnificent palace occupied by 24 Ming (1368-1644) and Qing (1644-1911) Dynasty emperors should be a special occasion, Wang said, but the atmosphere is being spoiled by hordes of invading tourists who aimlessly wander around the massive complex as if it was just another tourist attraction.

In a single day during the summer peak period nearly 100,000 tourists crammed into the complex, and the lack of efficient protection measures resulted in the death of ancient trees and damage to priceless relics, Wang said.

The minister called for improved management of the Forbidden City and put forward a package of suggestions for its protection, including:

- Limiting the number of people allowed into the palaces, with set intervals between quotas of visitors.

- Dividing the complex into separate visiting areas and charging individual admission to each attraction.

- Raising the general entrance fee and improving service.

- Strictly controlling the number of souvenir stands, soft drink booths and commercial vendors allowed on the grounds.

Specific details still need to be discussed, but a prompt socially co-ordinated effort is essential for the protection of China's most famous symbol of imperial opulence, the minister said.

**Report on New Military Aircraft Development**  
HK0312012088 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0345 GMT 30 Nov 88

[Report by Zhu Da Qiang (2612 1129 1730): "China Works for the Development of New Types of Military Aircraft"]

[Text] Beijing, 30 Nov (ZHONGGUO XINWEN SHE)—After more than 30 years of development, the Chinese military aircraft manufacturing industry has formed a completely coordinated system. It is now embarking on extensive international cooperation, and developing new types of military aircraft with definite purposes and focuses.

In the entire aircraft manufacturing industry in China, military aircraft building occupies a dominant position. China independently designed and built many types of military aircraft such as the Jian-8, Qiang-5 and Shuihong-5. For the last 2 years it has successively designed and built

a new and definite version of a high-performance fighter and a fighter-trainer, step by step established a series of military aircraft such as the Jian-7, Jian-8, Qiang-5, Hong-6 and pilotless planes, and formulated an entire system of its own in pre-production research, type design, test flights and evaluation standards.

At present China is seeking extensive international cooperation in a bid to improve the technological level of its military aircraft. China is cooperating with the United States in importing a fire-control [huo kong 3499 2235] electronic device to modify fighter aircraft; and developing with Italy the A-5M attacker and with Pakistan the K-8 trainer. The A-5M has had its first flight and is now carrying out evaluation flying. The K-8 is also being built. The Chinese-built F-7P modified attacker has been exported to foreign countries.

Officials of the China Aeronautics and Astronautics Ministry pointed out that, compared with advanced world levels, Chinese military aircraft do lag a distance behind. Therefore, the focus now is developing new types of military aircraft, and improving, developing and forming aircraft series on the basis of the existing aircraft types. China will concentrate on developing military aircraft like attackers and helicopters, with a coordinated development in transport aircraft, seaplanes, pilotless planes and early-warning aircraft and so on, so that China has a basically complete range of aircraft types.

**Communications Satellite Launch Set for December**  
*HK0512044688 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0731 GMT 3 Dec 88*

[Report: "PRC To Launch a New-style Communications Satellite End of December"]

[Text] Beijing, 3 Dec (ZHONGGUO TONGXUN SHE)—According to information released by people from aviation and astronautics circles in Beijing, China is going to use the Changzheng No 3 carrier rocket to launch a new-style communications satellite in a geo synchronous orbit, some 30,000 km above ground, at the end of this month.

As told, this satellite will be launched at the satellite launching station in Xichang, Sichuan. This satellite is more advanced and has more functions than the other three satellites, which are of the same category and have four transmitters, launched previously by this station.

At present, these three communications satellites are still functioning. The first experimental communications satellite, which was launched in 1984, has exceeded its designed lifetime of 3 years. The launching of this new satellite symbolizes a wider scope of use of China's communications satellites.

It will be the fourth satellite, following the communications satellite, the earth resources satellite, and the meteorological satellite, launched by China this year.

This year has thus become the first "good harvest year" of China's space industry. Up till now, China has launched 23 satellites of various categories.

At present, China has five large-scale satellite ground stations, which are being used in international communications. China has gradually begun to end the history of leasing and buying transmitters of international communications satellites.

**Measures Help Stabilize 'Turbulent' Finances**  
*HK0212122588 Beijing CEI Database in English 2 Dec 88*

[Text] Beijing (CEI)—China's turbulent finance has been stabilized since the State Council and the People's Bank of China adopted a series of measures.

In September, the declining deposits were stabilized and bank loans registered an increase of 21.5 percent compared with the same period of last year.

Bank loans increased by 24 percent by the end of June, a decrease of 2.5 percentage points compared with June last year.

Meanwhile, loans granted by non-bank financial agencies have also been under control.

In the first half of this year, the over-heated increase of industrial production raised strong demands for loans and thus increased bank loans by 56.156 billion yuan, 4.2 times that of the same period of last year.

The increasing trend of bank loans has eased since the third quarter of this year when the industrial production was restrained. The bank loans increased by 25.16 billion yuan, 20.2 billion yuan, 16.53 billion yuan and 7.13 billion yuan in June, July, August and September respectively.

China saw a decrease of 2.61 billion yuan in deposits nationwide in August. However, the deposit value increased by 1.7 billion yuan in the same month following the State Government's declaration of raising deposit interest rate.

The deposits registered a further increase of 7.22 billion yuan in October.

However, it is still difficult to take currency and bank loans under control. The problem would not be solved in several months because of years of overwhelming social demand and over issue of currencies that is faster than the increase of the economy.

Meanwhile, the bank loans that were granted in the first half of this year would not be retrieved in short terms. Funds will be in short supply because of decline of enterprises' deposits and peak period for agricultural products purchase.



In addition, it is highly difficult to control the issue of currencies since the consumption funds grow rapidly.

The People's Bank of China has adopted a series of measures to counter the problem.

**Interest Rate 'Weapon' in Readjusting Economy**  
*HK0312004288 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1200 GMT 1 Dec 88*

["News Analysis" by Li Chun (7812 4783): "Interest Rate—China's 'Effective Weapon' To Readjust the Economy Next Year"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 1 Dec (ZHONGGUO TONGXUN SHE)—As the year is drawing to a close, China's economic departments are intensively drawing up plans for economic work next year. The National Planning Conference and the National Economic Restructuring Work Conference are being held in Beijing; the financial conference and the banking work conference will also be held later. A hot topic drawing people's attention is how to readjust the economy and advance the reform next year.

China's Statistical Bureau announced the other day that by the end of this year the inflation rate will have reached 20 percent. This shows that the evils of an overheated economy, immoderate investments in fixed assets, and excessive consumption are still very serious and that the ensuing inflation and soaring prices are still troubling people.

In the face of this state of affairs, the basic task for economic development next year is to eliminate the overheated phenomena in the economy and to ensure that the price increases will be markedly lower than they are this year.

According to an authoritative source, China will use the interest rate to readjust and bring along the macroeconomy as a whole next year and, on this basis, take the basic industry the focus of investment. In this way we can not only tighten up the money supply but also ensure financial stability.

By wielding the "effective weapon," namely, by raising the interest rates on savings deposit, it will be possible to tie the huge savings deposits of the common people, to recover large amounts of paper money, and thus to curb inflation.

However, some people in the economic circles also said that the raising of savings deposit rate would increase the operational cost of the banks, making it necessary to raise the credit rate as well. On the one hand, this will likely curb overheated capital construction and, on the other hand, given the extremely brisk market demand and rising costs, some enterprises will probably shift the burden to consumers, thus unleashing another round of price increases.

If we want the readjustments of interest rate to achieve the desired result, it seems necessary to find a method which enables us to raise the savings deposit rate and which will not make the credit rate rise too quickly.

Some economists pointed out: We may utilize the corresponding relationship between the savings deposit rate and the credit rate and, while raising the savings deposit rate, correspondingly raise the credit rate. We may use the earnings from the difference in the interest rates to increase credits to the basic industry at a preferential rate. After attaining development, the basic industry will bring along the development of other relevant industries.

It is disclosed that the ongoing National Planning Conference will discuss the method of readjusting the interest rate. Apart from the heads of the State Council, officials from various ministries and commissions and those in charge of the economy in various provinces and regions also attend the meeting. The meeting will decide actions to taken next year and put forward an ultimate proposal.

**Domestic Investment Policies Criticized**  
*HK0312041088 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1417 GMT 2 Dec 88*

[Text] Beijing 2 Dec (ZHONGGUO TONGXUN SHE)—At the just concluded Eighth (Enlarged) Session of the Leading Group for the Three Gorges Project's Demonstration, many experts strongly lashed out at China's industrial investment policies in recent years.

A senior engineer from the Ministry of Water Resources and Electric Power said that, in imports as well as utilizing hard currencies and foreign loans, a good deal of money has been spent on importing color television sets, refrigerators, and the production of Western suits and fast food. Between 1985 and 1987, some \$1.4 billion was spent on importing 7.55 million television sets. Imported motor vehicles of various categories numbered 600,000, costing \$5.496 billion; as a result, luxurious limousines are now running all over the nation. In 1987, the import of car parts cost \$260 million. Although such practice has somewhat eased the contradiction between an overheated consumption fund and market supply, it has repressed the development of relevant industries at home, and reduced support to the urgent needs of key projects. This should become a historic lesson.

A senior personality of the bank circles said that, China has overdone decentralization in recent years, and "short-term behavior" has been serious. Because of dispersed funds and irrational prices, the localities and enterprises have lots of money in their hands, and the localities competed with each other in making investments in small-scale processing industry and nonproduction construction that would bring in quick results, whereas those projects of energy resources, transportation, basic industry and infrastructure, which rely solely on the central government for their investments, seemed



to be all the more weakened because of relative cutback in their proportions of investments. For example, the proportion of power investment in the investment volume of social fixed assets dropped from 6.5 percent in 1980 to 3.8 percent in 1985. Last year, the nation's investment volume in fixed assets was 364 billion yuan, of which investments in key projects accounted for only 36.2 billion yuan, which could not be any lower.

He added that, one of the purposes for improving and rectifying the economic environment is to concentrate part of the funds to be spent on building energy resources and transportation projects.

Many experts aired similar views, believing that the key is how funds should be distributed and used by the state. This topic arose in the discussion on whether or not the state could take up the financial burden of the Three Gorges project. Some people believed that, facing the present severe economic situation, it is impossible for China to start such a gigantic project. This planned project will take 20 years to complete, with an estimated investment of 36 billion yuan. Regarding the actual conditions, however, it will go far beyond that.

**Enterprises Savings Down, Public's Savings Up**  
*HK0212121188 Beijing CEI Database in English*  
2 Dec 88

[Text] Beijing (CEI)—The amount of enterprises' savings in the People's Construction Bank of China has successively declined for three months because of reduced capital construction projects.

However, the bank savings of the residents have kept increasing and they have basically made up for the funds deficiency. By November 20, the savings amount from the residents in the construction bank was 7.1 billion yuan more than that in the beginning this year.

Of the 11-billion-yuan budget loans provided by the construction bank, 66 percent come from resident's bank savings.

Among the new varieties of savings, residents' housing saving make up a large portion.

The newly-set accounts for self-employed businessmen have also absorbed a great sum of private capital.

In 1989, much more of China's loans to its key projects of capital construction will come from resident's bank savings.

**Savings Deposits Finance Capital Construction**  
*OW0312013588 Beijing XINHUA in English*  
0655 GMT 29 Nov 88

[Text] Beijing, November 29 (XINHUA)—Savings deposits by individuals have made up 66 percent of the money loaned to the state by the People's Construction Bank of China to finance key capital construction projects this year.

The "ECONOMIC DAILY" reported today that by November 20, the People's Construction Bank of China issued 11 billion yuan in loans to key state projects, 66 percent of which were made from money put into savings deposits by individuals.

This was the highest ratio in the history of the bank, the paper quoted a bank official as saying.

The bank has tightened its credit and money supply since the beginning of this year, particularly since September, in a bid to strike a balance between its deposits and payments.

To draw more depositors, the bank opened 11,000 credit co-ops and offered more services, including accepting deposits specially for house purchases and opening new accounts for privately owned factory owners.

By November 20, the savings deposits put in by individuals were 7.1 billion yuan more than the figure at the beginning of this year.

Savings deposits will continue to make up a large proportion of the money used in state loans for key projects next year, the bank official predicted.

**Theorists Discuss Foreign Trade Reform**  
*HK0312015288 Beijing RENMIN RIBAO in Chinese*  
29 Nov 88 p 2

[Dispatch by reporter Lu Zhenhua (7120 2182 5478): "Theorists in Beijing Discuss Reform of Foreign Trade Systems"]

[Text] At a recent theoretical symposium on China's foreign trade, some scholars and experts in Beijing made comprehensive analysis of some new problems appearing after the foreign trade system was reformed, and made positive studies of pertinent countermeasures.

In recent years, after the old foreign trade system characterized with the "big pot" pattern was changed, the initiative of localities and enterprises were effectively aroused and brought into play. Foreign exchange income from exports in the whole country markedly increased. However, because the reform measures were not properly coordinated, some localities and enterprises vied with each other in buying raw materials by bidding up prices, blocked local goods, blindly increased exports,

and disrupted the normal order of export. The participants in the symposium extensively discussed these problems and they held: First, it is now not only necessary to continue to deepen and perfect the reform of the foreign trade system, but it is also necessary to study the way to strengthen overall guidance and regulation after the foreign trade contract system is adopted and diverse interests exist simultaneously. The business activities of various localities and enterprises should be brought into line with the overall national interests, and their disorderly rivalry must be prevented. Second, comparable interests should be stressed in both theory and practice so that both the production structure and the export product mix of our country can be improved and optimized. It is necessary to stop overlapping construction projects, build effective regulatory and controlling mechanisms as quickly as possible, and rationalize the systems and procedures of formulating plans, allocating quotas, and issuing licenses so as to enhance the overall economic returns of export in the whole country.

**Rong Yiren Heads Industry Federation**  
*OW0212170688 Beijing XINHUA in English*  
*1302 GMT 2 Dec 88*

[Text] Beijing, December 2 (XINHUA)—Noted entrepreneur Rong Yiren was elected chairman of the Sixth National Congress of the All-China Federation of Industry and Commerce here today.

The 72-year-old Rong is also vice-chairman of the Standing Committee of the Seventh National People's Congress and chairman of the board of directors of the China International Trust and Investment Corporation.

The congress, which closed today, also elected the 91-year old Hu Ziang, former chairman of the federation, as its honorary chairman and 19 vice-chairmen, including three honorary vice-chairmen.

**RENMIN RIBAO Views Enterprise Groups**  
*Beijing RENMIN RIBAO in Chinese*  
*29 Nov 88 p 2*

[Article by RENMIN RIBAO reporter Lin Rongqiang (2651 2837 1730) and XINHUA reporter Yang Like (2799 3810 4430): "The Trends of the Enterprise Groups"]

[Text] In the enterprise reform, a new force—the "enterprise groups"—has come to the fore. This new force is made up of more than 2,000 large and small groups. They are mainly concentrated in iron-steel, automobile, light industrial, textile, electronic, and other industries. They have basically realized socialized production that cuts across areas, departments, and industries. Meanwhile, in the process of development, they have also suffered from the restraints of administrative areas, departments in charge, and even the form of ownership.

Since the beginning of this year, the CPC Central Committee and the State Council have on many occasions called special meetings to study the problem of developing enterprise groups.

What direction will enterprise groups follow?

#### **The Effects of "Enterprise Groups"**

Data show that our country now has more than 110 automobile production factories. There are only six with an annual output of over 10,000 cars. By international standards, an annual output of 300,000 sedans and 100,000 trucks represents the best results achieved in total output. To date our country has imported more than 120 color television production lines spread over more than 100 factories. But given such a "spectacular" production position, the output is less than that of a single company in South Korea. There are also as many as 100 refrigerator production factories, but they produce only 4 million refrigerators or so. In terms of the best international output, 10 factories would have been enough to produce 4 million refrigerators.

The existing situation is a product of the old system. The enterprise group is a shortcut to break up the closed form of operation and bring optimum output results quickly. Machine-building, electric power, iron and steel, automobile, electronic, and other industries have already had 12 enterprise groups listed separately with the power to carry out their own plans. In addition, a number of enterprise groups with an annual output of 1 million refrigerators, 6 million bicycles, or 10,000 tons of fine-quality wines and exports earning up to 100 million dollars in foreign exchange have appeared in our country.

State regulation and control of the market and market guiding of enterprises is a new system under formation. Experts contend that to give full play to the significant role of enterprise groups in various industries and realize the state's intentions through guiding enterprise groups will be an important means of regulating and controlling the market.

#### **Enterprise Groups Have Difficulty Moving Ahead**

Enterprise groups have a bright future. But in the actual process of progress, they encounter hard sailing.

When the two groups handling bicycles of the Yongjiu and Fenghuang brands of Shanghai were first set up, the backbone factories in Shanghai improved economic results without having to be expanded. As members of the groups, the factories in other areas turned losses into profits by drawing on technical knowhow from the backbone factories. Some factories have become local operators boasting large profit-tax payments. But when they tried to develop in the direction of groups with unified funds and operations of the closely-knit type, they ran into multiple difficulties. A central leadership comrade had promised approval on two occasions. The



relevant quarters were asked to help solve the problems encountered by the Yongjiu and Fenghuang groups in their progress and power of concentration. But one year has elapsed and no fundamental solution to the problem has been obtained. The long prevailing situation of "having difficulty getting ahead, finding the exercising of control to be unwieldy, failing to break out to the outside world, and suffering no end to internal consumption" has not improved.

The introduction in recent years of the system of keeping separate financial accounts has changed the situation of localities sharing in the big central rice pot. The delegation of power to enterprises has also played a role in breaking boundaries between departments. But this has more or less strengthened boundaries between areas, causing a division of interests.

As far as the difficulty with which the Yongjiu and Fenghuang groups' "taking a step forward" is concerned, this is, in essence, a problem of reconciling the relations of interests between the backbone and member factors and between Shanghai Municipality and other areas. Some people say that integration can at one stroke solve the problem of the transfer of property rights of an enterprise that is merged into another. Many enterprise groups have increased their strength through integration. The Capital Iron and Steel Corporation has absorbed more than 30 enterprises in iron and steel, electronics, machine-building, and other industries. But there are after all not many enterprise groups with such a large supply of capital as the Capital Iron and Steel Corporation.

The joint stock system is described by some people as the "best growing point," as far as the development of enterprise groups is concerned.

Through shareholding and involvement as a control shareholder, we can use a relatively small amount of capital and technical knowhow to form a relatively large entity and solve the problem of enterprise groups having a relatively small "appetite." But experience shows that enterprise groups can easily introduce the joint stock system by establishing new factories. Yet there is no rule to follow when existing enterprise capital, labor, and technical knowhow is converted into stock at a price.

As far as various difficulties are concerned, there is a deciding factor—the wishes of interests. Enterprise groups' power of concentration comes from what all quarters have to gain. The wishes of interests act in two ways. Total negation of them would dampen enterprise and local enthusiasm. Total affirmation of them under conditions where market development is far from mature would impair the interests of the whole.

Where this critical line is concerned, the current difficulty lies in finding the "best parameters."

It seems unrealistic to expect an enterprise group to "fall into place at one stroke." Its full development still depends on the improvement of objective economic circumstances and further development of the market.

#### **Administrative Intervention Is Either Praised or Condemned by Entrepreneurs**

In the reform so far, factory directors and managers have continued to appeal to administrative departments to loosen up, delegate power, and realize the separation of government administration and enterprise management. To date, even the enterprises with the greatest decision-making power, as separately listed with the power to carry out their own plans, are still demanding greater power, the right of distribution, the right of investment, the right of conducting foreign trade, and so forth.

"Operating according to the law and paying taxes according to the rule" is what entrepreneurs dream of. But once really given the full freedom to operate on their own, enterprises also find it difficult to cope. The Yiqi Automobile Enterprise Group, one of the top-ranking enterprises, had to suspend production for 9 days in the first half of this year because of the shortage of steel plates—the most needed of all raw materials. Its daily output value was 90 million yuan. At last, only with the intervention of an authoritative state organ was the problem solved.

At the mention of administrative intervention, many entrepreneurs cannot help complaining: The administrative department "imposes forced marriages." Member units of enterprise groups just cannot afford sharing risks. Some areas have arbitrarily ordered "big fish" to swallow "small fish." Actually, it is a case of "big fish" keeping "small fish" alive. Some areas have used tax reduction, exemption, and other preferential policies to protect backward enterprises and thwart integration....

But due to inadequate development of the market, the advance of enterprises cannot be completely separated from administrative forces. The Banqiu Household Appliances Group of Guangdong is cherished in Zhanjiang as "a treasure." The local government turned on the green light for it in every way, using administrative force to solve many problems that an enterprise could not solve on its own. The group was able to develop quickly. Its output value this year has accounted for one-quarter of that of Zhanjiang City and will reach around one-half next year.

#### **Guard Against the Appearance of a "Passion for Groups"**

Enterprise groups are still in the initial stage of development. Some people in economic departments and industrial circles have called for guarding against the appearance of "a passion for groups."



First, we must not try to do things all at once. In setting up enterprise groups, we can more or less obtain some preferential treatment. Even given the least preferential treatment, the sheer expansion of strength also helps in raising the "position" of enterprises. This inevitably leads to the establishment of enterprise groups with doubtful qualifications. An authoritative person of the State Commission for Restructuring the Economic System said that of enterprise groups registered, less than 10 percent are really qualified. It is said that several vegetable peasants in the suburbs of a certain city are filing an application to establish the "China Vegetable Enterprise Group." Several individual restaurant operators are also planning the establishment of a "restaurant group." It is not without reason that people worry about an attempt to do all things at once.

Second, we must not get involved with "administrative companies playing signboards." When the name of a company was all the vogue, some "bureaus" and "departments" put up the signboard of a company. As group names have now become "popular," some companies have changed their signboards to become groups. In these groups, the procedures of an administrative company are still basically being practiced.

Third, we must refrain from one-sidedly pursuing bigness. An important superior feature of the enterprise group is that it can obtain scale results. But this is not to say that the larger the scale, the better it is. A Jinan factory director aptly said: The Chinese like to go for the big. Going big also means a bigger loss. Beginning with the "Big in size and collective in nature," "Launch iron-steel works in a big way," and "The great leap forward," there has never been an end to the slogan of "big." We may as well avoid singing this high-sounding unrealistic tune again. In developing groups, it is absolutely not just a quest for the "big." Instead, the aim is to perfect the combination and stress readjusting overall economic results on a case-by-case basis. This should be taken as a reminder. Amid the "passion for groups," we need still more reminders.

**Socialist Commodity Economy Theories Urged**  
*HK0212023788 Beijing RENMIN RIBAO in Chinese*  
18 Nov 88 p 5

[Article by Gao Shangquan (7559 1424 0356): "Develop Theories on the Socialist Commodity Economy in the Course of Deepening Reform in All Fields"—an article from the No 11 issue of ZHONGGUO JINGJI TIZHI GAIGE published in abridged form in this paper]

[Text] Our Country Has Entered a Crucial Period of an Overall Deepening of the Reform

At present, our reform has entered a crucial period of new and old systems replacing each other, with an overall deepening involved. We must have a correct idea of the

current reform situation and penetratingly study the features of this period and the counter measures that should be adopted. This is an important task confronting us.

Ten years of reform and openness have enabled our economic system pattern to undergo a series of new and major changes:

—Enterprises owned by all the people have begun a switchover from the previous status as appendages to administrative organs to independent commodity producers and operators with the status of a legal entity.

—The structure of ownership has begun to shift from the unilateral system of ownership in the past to a pattern marked by various systems of ownership with public ownership as the core.

—The mechanism of economic operation has begun enabling the previous mandatory way of allocation and distribution to gradually move in the direction of "the state regulating the market, and the market guiding enterprises."

—The manner of making economic decisions has begun to switch over from previous centralized decisionmaking with no distinction between government and enterprise functions to a change in government functions with the introduction of decisionmaking at various levels.

—The way of socialist distribution has begun to change from the previous mode of distribution with supply based on egalitarianism and "the big rice pot" to a variety of modes of distribution based on distribution according to work as the core.

—The way of establishing economic ties has begun to change from the previous emphasis on vertical links with divisions between departments or regions to horizontal economic integration.

—The method of economic management has begun to gradually shift from direct management in the past to mainly indirect management.

—The enterprise labor personnel system has begun to move from the fixed wage system and the cadre lifetime tenure system of the past in the direction of introducing the mechanism of competition and perfecting labor integration.

—Economic relations with foreign countries have begun to switch over from a previous economy long closed or semiclosed to an open-type economy actively involved with international exchanges and cooperation.

In sum, our country's whole economic system has started a transit from the old product economy system of the past to the new socialist commodity economy system.

Ten years of reform have witnessed great achievements. But the task of deepening the reform is a more arduous one. What confronts us is a crucial period of new systems replacing the old. The main features of this period are:

First, there has been an increased clash between new and old systems. Given the coexistence of new and old systems, some loopholes in systems and vacuums in management have inevitably appeared. Conflicts and contradictions between various interest groups have increased, thus adding to the difficulty of deepening the reform.

Second, the reform has broken through a single item to reach a stage of being unfolded in an overall manner. The demands of a comprehensive reform with things linked up are more exacting. As far as the way of advancing the reform is concerned, breakthroughs with single items have been relied on in the past few years, with things gradually progressing from lower to higher levels. Now there is the need for a comprehensive linkup, with things unfolded in an overall manner, from higher to lower levels. The demands of a linked reform are more exacting than before. The difficulty is also greater.

Third, with the reform moving from shallow to deeper levels, the difficulty of deepening it has increased. As far as the easy or difficult part of the reform is concerned, our reform has followed a road of gradually moving on, from the easy to the difficult, from the shallow to the deep. Earlier measures such as enlargement of decision-making power, tax reduction, profit-related concessions, and so forth, were all capable of bringing some easily discernible actual benefits to every social member. But with the deep-level reform involving an overall readjustment of the pattern of interests, some local interests inevitably suffer. The difficulties and the risks involved are therefore greater than before.

Fourth, the reform has entered an important stage from destruction to construction. The task of establishing the order of a commodity economy is a very heavy one. As far as the relations between destruction and construction in reform are concerned, the reform calls for destruction and, more important, for construction. The initial stage of the reform calls for the courage to break through the bonds of the old system. The establishment of a new order of the commodity economy in deepening the reform calls for still more painful efforts. Only by gradually establishing and perfecting a whole set of laws, regulations and systems needed in developing the socialist commodity economy can we smoothly realize the replacement of the old system by the new and firmly establish the dominant position of the new system.

Fifth, with inflation obvious at present, it takes a lot of doing to improve the economic environment. The main problem facing the reform is that we must resolutely reduce the accumulated excessive demand in recent years, slow down the pace of excessive growth, keep the momentum of ever rising inflation in check, eliminate

the sense of panic shown by the masses over the rise in commodity prices, and gradually bring about a fundamental balance between overall social supply and overall demand—creating a relatively benign economic environment for the reform.

At present, in a crucial period of an overall deepening of the reform, we must solve some new, complicated problems. We must mainly do the following: We must not only maintain a given pace of development but also guard against an overheated economy. We must not only reform irrational pricing systems in a positive and steady manner but also guard against a rise in commodity prices that goes beyond the capacity for absorption by the state, enterprises, and the masses. We must not only reform the way of distribution and the wage system based on egalitarianism and the "big rice pot" but also prevent the appearance of new inequity in social distribution. We must not only give full play to the enthusiasm of localities and grassroots levels but also maintain the unity of the state's legal systems, policies and decrees and have the strength to exercise overall control over the economy as a whole. We must not only uphold the principle of opening up to the outside but also prevent the intrusion of corrosive capitalist and feudalist thinking, maintain the honesty of party and government organs, and cultivate good social practices. Only by firmly, unswervingly, prudently and steadily carrying the reform through to the end can we fundamentally solve these difficulties and problems. And only in this way can we accomplish the great cause of "realizing modernization and revitalizing China."

**In Improving the Economic Environment and Rectifying the Economic Order, We Must Introduce an Overall Reform With Things Linked Up**

The 3d Plenary Session of the 13th CPC Central Committee and the Central Work Conference called recently are extremely important meetings. It was affirmed at these meetings that reform and construction efforts next year and the year after will focus on improving the economic environment and rectifying the economic order, and carrying out in a well-led and orderly manner an overall reform with things linked up. Initial programs on price and wage reforms were approved in principle. This is an important strategic decision made by the party Central Committee and the State Council in a new situation with the reform entering a crucial stage. It is also a main task that confronts us for a period of time to come.

The foci of reform and construction efforts next year and the year after are as follows:

1. We must improve the economic environment. The main thing is to adopt resolute and effective measures to reduce excessive social demand, check inflation, relieve the pressure of a rise in commodity prices, and gradually realize a fundamental balance between social overall



supply and overall demand. To this end, we must resolutely reduce the scale of capital construction. Apart from preserving necessary key construction projects, we be determined to hold up such nonproductive construction projects as ostentatious public places of meeting, fancy restaurants and recreational facilities, excess urban construction projects, and blindly developed processing industries; strictly control the amount of investment in fixed assets; appropriately reduce the demand for rolled steel and other important means of production; and relieve the contradiction between supply and demand. We must take stern measures to energetically scale down the purchasing power of mass organizations and stop the phenomenon of extravagance. We must strictly control the growth of consumption funds, and use various means to guide the direction of consumption and divert and defer consumption. We must try in every way to stabilize the money market and control the printing of money and the amount of credit. We must encourage the residents to increase savings through providing inflation-hedge savings, prize-related savings, forward-purchase savings, housing savings, and so forth. We must widely absorb social money through bond and stock issues, insurance services, and various other forms. We must realistically stabilize urban and rural residents' savings and the value of their money. We must carry out in a penetrating way a campaign to increase production and practice economy and to boost income and reduce spending; add to the state's revenue; and maintain a fundamental balance in the state budget and in foreign exchange-related receipts and expenditures.

2. The rectification of the economic order. The emphasis is on the following: We must lay the emphasis on straightening out the links of circulation and the order of the market, sort out and reorganize various companies, resolutely crack down on and stop such practices as freely marking up commodity prices, exploitation by middlemen, and greasing the palm at every level. We must eliminate administrative companies involved in profiteering and filled with greed for huge profits, strictly punish such acts as abusing power to serve private ends, receiving and taking bribes, practicing corruption, and running afoul of law and discipline. We must gradually establish and perfect various regulations, systems and laws; strengthen control over the market for the agricultural means of production, the grain market, the rolled steel market, the nonferrous metal market, and other important markets; tighten tax collection and management work; properly make a general inspection of financial affairs, matters of tax collection and commodity prices; strengthen the effective supervision of market economic activities; conduct market trades in an open manner, with documents, money, regulations and legal systems as a basis; and strictly deal with those people that act against financial discipline and rules and regulations governing market trading.

3. An overall deepening of the reform. The emphasis is on deepening the enterprise reform, with the following tasks highlighted: We must perfect and develop the

contracted management responsibility system; we must actively promote enterprise integration and coordination, increase the number of enterprise groups, and energetically experiment with joint stock systems based on public ownership as the core; we must seek a perfect labor combination and readjust the employment policy. We must strengthen enterprise management and improve economic results. In deepening the reform in an overall manner, we must, at the same time, systematically do a good job of comprehensively linking up reforms in such fields as planning, investment, commodities, finance, revenue, commerce, foreign trade, and so forth. The effort to improve the economic environment and rectify the economic order must be combined with the strengthening and improvement of macroeconomic control and the raising of the capacity for macroeconomic regulation and control and must be combined with an increase in effective supplies and an improvement in economic results. This is to stimulate the sustained, steady and healthy development of our economic construction effort.

#### **The Medium- and Long-Term Goals of the Reform of the Economic System.**

In recent years, our economic theory circles and real-life work departments have done a large amount of investigation, study and discussion concerning the medium- and long-term goals of the reform of the economic system. There is a fundamental consensus in understanding. It is unanimously held that the new system to be established by us is a socialist planned commodity economy system. The aim is to turn enterprises into independent commodity producers and operators, who operate on their own and hold themselves responsible for profits and losses. Through the operation of the socialist market system, full play is given to the role of the market mechanism. The macroeconomy is enabled to bring about indirect management, and mainly indirect regulation and control, to form gradually into a new mechanism of economic operation, with "the state regulating the market, and the market guiding enterprises."

In October last year, the State Commission for Restructuring the Economic System authorized and organized a number of economic departments in charge, scientific research organs, colleges, institutes of higher learning, and local departments for restructuring the economic system to separately work out comprehensive designs and special designs for programs to restructure the economic system in the coming 8 years (1988-1995). It was initially recognized after repeated joint studies in various respects that the limited goal of economic restructuring is: Through a national deepening of the reform, we must put a fundamental end to the situation of two different systems, or two different mechanisms confronting each other, and enable the new economic system to gradually occupy a dominant position. In the main aspects of economic life, we must begin putting the new economic system in operation. The realization of this goal calls for a relatively long period of time. The



reform should focus on the enterprise mechanism, the mechanism of market competition, the mechanism of price setting, the mechanism of macroeconomic regulation and control, and a change in the whole mechanism of economic operation. Concrete measures in practice must rule out the use of "the same fixed standard" in every case. They must be introduced in a well-led and orderly manner in line with the state's unified general and specific policies and rules and regulations, and the actual conditions of various areas. These measures mainly involve the following contents:

1. The gradual establishment of a new enterprise system. On the basis of perfecting contracting, hiring, and various forms of operation, and through such forms as enterprises contracting for enterprises, enterprises operating enterprises on lease, enterprises integrating with enterprises, enterprises cooperating with enterprises, and so forth, enterprises owned by all the people should enable enterprises to have a free hand in operation and really become commodity producers and operators who hold themselves responsible for profits and losses and operate on their own.

2. A change in the price-setting mechanism. Through reform, we must gradually establish a pricing system, with a small number of important commodities and services put under state control and the prices of most of the commodities set by the market. We must thus establish a rational price-setting mechanism and a price control system compatible with the laws governing the commodity economy.

3. The continuous perfection of the market system. We must allow further liberalization and revitalize the consumer goods market. We must reform the system of planned allocation and distribution of material goods and enable the means of production to circulate in the market in different forms. We must further develop the short-term money market, gradually open up a long-term money market, enlarge the market with foreign exchange as a regulating factor, stimulate the development of the real estate market, open up a regional labor service market, and develop the technology market and the information market. This is to enable the key elements of production to be rationally deployed through circulation in the market.

4. The establishment and perfection of a macroeconomic regulation and control system. We must bring about the separation of the government function to regulate and control the economy and the function of the ownership of property. We must enable macroeconomic management to shift from direct management of enterprises to chiefly regulation and control of the market. We must also adopt the necessary administrative means to establish an indirect regulation and control system, which has a balance in overall supply and the readjustment of the structure as its main goal and which has industrial policies, regional policies, financial policies and money policies based on a legal system as its chief means.

5. The gradual introduction of a reform involving the form of ownership and the structure. We must establish a diversified structure of ownership compatible with the state of productivity in the initial stage of socialism. Given the upholding of the system of public ownership as the mainstay, we must actively develop individual economic undertakings, privately run economic undertakings, and other economic undertakings not publicly owned, such as Chinese-foreign joint ventures, joint operations, and self-financed foreign businesses. We must also actively establish the joint stock system and other new versions of the socialist system of public ownership.

6. The readjustment of the relations of social distribution. Given unified state policy, the distribution of enterprise workers' income must be left to the decision of an enterprise itself, with the appropriate establishment of an enterprise self-restraining mechanism. For government workers, the wage system of yang-lian [support for honesty 7402 1670] is to be gradually introduced, with the degree of the openness of their sources of income raised. The system of personal income returns is to be enforced, with the use of the lever of taxation to regulate the excess income of residents. The existence of a reserve labor force should be allowed within given limits, with the establishment of appropriate systems involving those people who wait for employment, those who are unemployed, and of social insurance and safeguard systems.

7. The deepening of the rural reform. On the basis of further consolidation and development of the household contracted management responsibility system with remuneration linked to output, we must gradually establish a system of ownership of land, a system of contracting for land, and a system of transferring at a price the right to operate and use land. On the basis of willingness and mutual benefits between peasants, we must gradually develop rural large-scale operations, with local factors in mind. We must change the position of town and township enterprises being attached to town and township governments, bring about independence in operation, and actively develop a rural joint stock system economy.

We must establish a new order of the socialist commodity economy.

An overall deepening of the reform calls for not only letting the socialist commodity economy system take the place of the traditional product economy system but also letting the new order of the socialist commodity economy take the place of the old order of the product economy.

The new order of the socialist commodity economy to be established by us chiefly covers the establishment of new rules about economic activities, the perfection of economic and legal systems, and so forth. What is involved may be summed up as follows: 1) Behavior norms and systems concerning relevant enterprises themselves and

the relations between enterprises. They include the organizational structure of enterprises, their legal entity status, their independence in operation and responsibility for profits and losses, their relations involving the right of property ownership, their legitimate economic activities, and so forth. 2) Rules and systems about the establishment and operation of the market. We must protect and develop fair competition and form a unified and open market. We must not only oppose illegal competition but also oppose monopolies and blockades and prevent the use of illegal economic means to gain a market advantage. 3) Rules and systems about government economic behavior. The relations of interests between the center and localities, between localities and between the government and enterprises and the relations of interests among the state, the enterprise and the individual must be standardized in the form of law. There must be not only restraints on respective behavior but also protection for respective rights and interests.

The new economic order must be built on the basis of a legal system. There is therefore the need to formulate large numbers of laws and regulations, establish the authority of law, realistically realize the aim of having laws to follow, upholding the law that exists, being strict in law enforcement and punishing anyone who breaks the law. We must put various economic activities in the orbit of the legal system and appropriately establish and perfect economic supervision departments to supervise and standardize various economic practices, including the behavior of the supervision departments themselves. The aim is to enable governments at various levels, various categories of enterprises, and the whole people to gradually adapt to the new order and observe the new order.

#### **In Reform, We Must Gradually Establish a Socialist Commodity Economy Theory System**

In the past 10 years, we have also made a major breakthrough in theoretical studies about reform. Some important theories and viewpoints formed and developed since the reform have become a theoretical backbone guiding and stimulating our great transformation. Among these theories that may be mentioned are the theory about our country being at present still in the initial stage of socialism, the theory about building socialism with Chinese features, the theory on the development of a socialist commodity economy, the theory on the separation of government administration and enterprise management and the separation of ownership and management under socialist conditions, and so forth.

At present, the reform is deepening and theories are developing. To meet the needs of an overall deepening of the reform, we must continuously study new problems and put forward new theories. Apart from the price reform, the wage reform, and other problems mentioned above that must be urgently studied in all seriousness, we must at present study in depth the following several major, new problems.

#### **1. The relations between the reform of the system and economic relations.**

The correct handling of the relations between reform and development is a major problem now confronting us. An overheated economy or too sluggish an economy will hamper or delay the process of reform. Similarly, reform measures and steps, if divorced from the existing level of economic development and the realities of the initial stage of socialism, will also have an unhealthy effect on economic development. Experience shows that in the development of our economy, the phenomenon of overheated growth is likely. How should we prevent an overheated economy, reduce excessive demand and maintain a proper rate of economic growth? How should we check inflation and strictly control the printing of money and the amount of credit? How should we bring about harmony between reform and development and mutual stimulation? These are important problems that must be penetratingly studied.

#### **2. The form of realizing the socialist system of public ownership.**

Our socialist commodity economy must be established on the basis of public ownership. As far as most of the enterprises owned by all the people are concerned, apart from some small enterprises among them with no great effect on national planning and the people's livelihood that can transfer at a price the right of property ownership to the components of the economy not owned by the state, we must also solve the problem of the form of realizing the system of public ownership. This also calls for the creation of an organizational pattern for new publicly owned enterprises, so that enterprises, given the upholding of the system of public ownership as a prerequisite, can really achieve the aim of operating on their own and holding themselves responsible for profits and losses. This is the very difficult part of the reform of our enterprises.

Since the separation of ownership and management, various areas have made many wholesome explorations in solving the problem of the form of realizing public ownership. For instance, there have been experiments with contracting for and taking leases on enterprises, the sale by auction and transfer of enterprise rights, enterprise integration and especially the interpenetration and fusion of enterprises marked with different systems of ownership, the enterprise joint stock system, and so forth. Concerning the nature and the significance of these reforms involving the property rights system and the relevant mechanism developing in the direction of competition and diversification and concerning what should after all be the organizational pattern adopted for future publicly owned enterprises, and so forth, there is still the need for us to make penetrating studies and explorations.

#### **3. The relations between planning and the market.**



In the socialist commodity economy, the relations between planning and the market, fundamentally speaking, represent the relations of internal unity. Since the socialist economy is a commodity economy, it cannot be detached from the role of the market mechanism. An important part of the reform of our economic system calls for giving full play to the role of the market mechanism in the deployment of resources and stimulating increasing enterprise efficiency and economic results as a whole. Meanwhile, the socialist economy is also a planned commodity economy. Compared with the capitalist commodity economy, it is not just fundamentally different in the matter of ownership. In the macro-economic deployment of resources, the state must also carry out planned guidance and regulation and control, to prevent the blindness of market regulation and sharp fluctuations in economic life. This requires us to seriously study the universal and peculiar nature of the commodity economy in the initial stage of socialism and find the most perfect point of fusion in internal unity between planning and the market. At present, our country is in a period of the new system taking the place of the old. The old system of direct planned management by the state has begun to be broken through. A new system with direct management as the mainstay has yet to be fully established. This situation urgently requires us to seriously sum up the experiences of our country and foreign countries and to acquire the skill of using planning and the market as two regulating means—in establishing a new order of the socialist commodity economy in a systematic manner.

4. The relations between fairness and efficiency in the distribution of social income.

Now the main problem in the area of distribution remains a trend toward egalitarianism. An improper comparison of high and low incomes between enterprises and between individuals has become the trend. The phenomenon of sharing equally in "the big rice pot" is still very serious and must be continuously overcome. Meanwhile, a new problem of unfair distribution of social income has also appeared. Obviously, a necessary regulation of the distribution of income must be made. First, the act of using illegal means to grab huge profits must be resolutely banned and punished. Second, we must perfect the tax collection system and levy personal income taxes and personal income regulation taxes on those in the high income bracket. We must establish a system of personal income returns and encourage individual operators to divert most of their income into expanded reproduction. Meanwhile, we must gradually establish and perfect social insurance and relief systems, granting proper subsidies to those in the low income bracket. In the initial stage of socialism, how should we correctly regulate the distribution of income and achieve the aim of not only rationally widening the gaps between income but also upholding the direction of common prosperity, and not only stimulating an improvement in work efficiency and economic results but also realizing the principle of social fairness? This is also an important problem in current theoretical studies.

5. Putting labor employment on a market basis.

With the deepening of the reform of the economic system, the circulation of labor as an important production element has become increasingly linked to the market. As owners of their own labor, workers urgently need to freely choose posts compatible with their own abilities and ambitions through the labor service market. In recent years, with the introduction of various versions of the contracted management responsibility system and other reforms by enterprises, the reform of the enterprise labor system has also been deepening. In many enterprises, contracts are entered into at every level. Labor combination is perfected, with redundant workers relieved of their posts. Those superfluous workers originally placed in an insignificant role are enabled to become people who wait for employment. If these people waiting for employment are entirely taken care of by the enterprises concerned themselves, great difficulties are really involved. There is an urgent need to regulate labor throughout society, with the formation of a new labor employment system. Therefore, some comrades suggest that through the establishment of a labor service market, labor employment be put on a market basis. Thus, an employment competition mechanism that can stimulate workers to improve labor productivity and improve their own quality can be formed, with a switchover from employment protection to unemployment protection and with also an appropriate reform of the existing wage system, the labor insurance system and the social protection system. We need to study this problem in depth.

6. The establishment of a vast national market.

The socialist commodity market that we need to establish must be a vast open and competitive national market. It calls for opposition against regional blockades and divisions in various forms. But China is a country with a vast area. Communications facilities are greatly underdeveloped. Information is very slow to reach us. Price relations also cannot be straightened out very quickly. Therefore, the formation of a vast national market will involve a relatively long process. Meanwhile, great gaps exist between the country's various areas in social and cultural fields and especially in economic conditions. Objectively, there exist different regional interests. Therefore, in the process of establishing a vast national market, we must not only oppose narrow regional concepts and overcome regional protectionism but also properly consider rational regional interests and stimulate regional economic development. Given this situation, can we project a stopgap measure? This is to say that within a given period of time, we must have two markets in operation. One is a vast national market with most of the commodities allowed to circulate freely throughout the country and no regional blockade allowed. Another is a regional common market, with the carrying out of mutually profitable integration and exchanges between areas. This enables various areas to uphold their respective legitimate rights and interests



through the exchange of commodities at equal value. This problem of establishing a vast national market and a regional common market is also one that must be studied by us.

7. The reform of the makeup of responsibilities and rights in government organs.

In recent years, in the reform of government organs, we have laid emphasis on changing the government's functions. First, we practice the separation of party functions and government administration, in order to guard against the Party replacing the government and give full play to the government's role in the handling of administrative affairs. Second, we practice the separation of government administration and enterprise management, with the government not using the way of direct control to manage enterprises. Enterprises are enabled to become independent economic entities. Third, we practice the separation of ownership and management. Given the maintenance of state ownership as a prerequisite, enterprises are enabled to have the full right of management. Fourth, we practice the separation of the government's dual functions. This means the separation of the function as the owner of a state enterprise and the function as the general manager of the social economy. The government's role of macroeconomic regulation and control is strengthened. Fifth, we practice management at separate central and local levels and define the rights and responsibilities of the central government and local governments at various levels, with the limits of their respective responsibilities and rights spelled out in clear-cut terms. The overall aim is to enable government functions through the reform of government organs to switch over from direct management to indirect management, from microeconomic management to macroeconomic management, from control by a department to control by the relevant industry, and from purely administrative control to supervision and rendering of services.

The reform of government organs and a change in government functions represent, in essence, a process of transforming the makeup of responsibilities and rights. This is not only part of the reform of the economic system but also part of the reform of the political system. It is where these two great reforms meet. In the practice of reform, we must continuously explore theories on the socialist social makeup of responsibilities and rights and stimulate the formation of a makeup of responsibilities and rights compatible with the socialist commodity economy. We must especially establish a government control system, which is in line with the demands of modernization, rational in its makeup and highly efficient.

**Agriculture Minister on Role of Research Units**  
OW0212114288 Beijing RENMIN RIBAO in Chinese  
27 Nov 88 p 1

[Text] Beijing, 26 Nov (XINHUA)—Minister He Kang yesterday told more than 700 agricultural scientists in Beijing that agricultural scientific research units should

not only pay good attention to studying various questions related to agricultural science and technology but should also actively take part in studying agricultural economics for overall guidance and strategy in agricultural development in order to help the leadership make policy decisions.

He Kang made these remarks at a meeting to commemorate the centenary of Ding Ying. Touching on the current agricultural production situation and the principal measures to be undertaken to develop agriculture, He Kang stated: All agricultural scientists and technicians have a great responsibility toward solving the current problem of a lack of progress in agricultural development. Agricultural scientific research units, especially those comprehensive ones, should actively organize specialized personnel to engage in scientific research and to prepare scientific findings in order to provide a scientific basis for the leadership in making policy decisions. They should be engaged in those fields which are important to China's development of agriculture and the national economy, such as the adjustment of the structure of agricultural production, the scale of agricultural operation, the building of agricultural commodity bases, the price and circulation of agricultural products, the utilization and reclamation of waste and tidal land, the increase of the multiple crop index, an increase of returns on agricultural investment, and the development and protection of natural resources.

He Kang is convinced that in order to develop agricultural science and technology, it is necessary to formulate a preferential policy to stabilize and reinforce scientific and technological personnel at the grass-roots level. It is necessary to establish a system of linking their treatment and rewards with their contributions. He asserted: We should encourage scientific and technological personnel to sign contracts and to work in rural areas, to take charge of village and town enterprises, and to develop agricultural resources. We should formulate a preferential policy to give subsidies to scientists and technicians who work on the front line of agricultural production or who are appointed to technical posts, we should give special consideration to their wages and promotion, and we should give them rewards for their achievements.

He Kang emphatically pointed out: In order to further promote and have a breakthrough in agricultural production, we must keep up with the new technological revolution. The 21st century will be one guided by biological technology. We are facing a serious challenge; therefore, we must feel a strong sense of urgency and responsibility and adopt practical measures to greet the new technological revolution.

**Meeting Studies Winter Wheat Planting**  
OW0312030088 Beijing RENMIN RIBAO in Chinese  
27 Nov 88 p 5

[By reporters Ren Xianliang and Zhou Jizhong]

[Excerpts] Shijiazhuang, 26 Nov (XINHUA)—China's major winter wheat producing areas have basically completed their fall sowing. According to reports from various localities, the size of seeded areas of this year's

winter wheat is larger than last year's and the quality of sowing is also better. [passage omitted]

To ensure a bumper harvest of summer grain next year, the Ministry of Agriculture called a meeting in Shijiazhuang a few days ago to discuss the fall and winter planting in seven provinces and municipalities in northern China. At the meeting, the representatives from Hebei, Shandong, Henan, Shanxi, Shaanxi, Beijing, and Tianjin analyzed this year's fall and winter planting and studied measures for ensuring a bumper harvest of summer grain next year. According to statistics, the total acreage of winter grain in these seven provinces and municipalities has reached 220 million mu, or over 1.5 million mu larger than that of last year; and if the planting acreage in such grain producing provinces as Jiangsu, Anhui, Yunnan, and Gansu is also included, the planting acreage is expected to exceed 440 million mu. [passage omitted]

While this year's fall and winter planting looks good, the leaders and experts attending the meeting were not overly optimistic. Aside from the fact that drought has been spreading rather quickly in the middle and lower reaches of the Chang Jiang and that drought has already appeared in some areas in Hebei, Shandong, and Henan, the rampage of underground insect pests and shortage of agricultural chemicals for seed treatment this year will make it difficult to seize a bumper harvest of summer grain next year. This being the case, leaders of the Ministry of Agriculture and experts called on all localities to intensify field management and do their best to ensure a bumper harvest of summer grain next year.

**Reducing Alcohol Production Urged To Save Grain**  
*HK0412062288 Beijing JINGJI RIBAO in Chinese*  
12 Nov 88 p 1

[Article by Xie Zhenjiang (6200 6966 3068): "Alcohol Production Consumes a Total of 12.5 Billion kg of Grain"]

[Text] China has become a large country in terms of alcohol consumption. This is not alarmist talk. Here we refer to strong alcohol. According to estimates by relevant departments, the trend from January to October shows that the total output of China's liquor this year will reach a new record of 5 million tons. It takes 100,000 freight cars to transport the liquor by the railways. If calculated according to the 500 million adults throughout the country, each person consumes an average of 10 kg of liquor a year. We rank first in the world in terms of total output and average per capita consumption. This is not an achievement to be proud of. The quantity production of liquor gives us much food for thought. As a matter of fact, production and consumption of liquor have become an irrational social consumption, particularly consumption of grain. To produce 1 kg of liquor, we need 2.5 kg of grain; to produce 5 million tons of liquor,

we need at least 12.5 billion kg of grain. In other words, when China had suffered from bad grain harvests for successive years, we consumed liquor made of billions of kg of grain.

China's liquor production expanded in recent years. According to the personage of the Food Bureau under the Ministry of Light Industry, the output of liquor was 2.15 million tons in 1980. The figure topped 3.5 million tons in 1986, an increase of 62 percent. However, China's grain production during the same period increased by only 22 percent. When China's grain production stagnated during the period from 1987 to 1988 and even decreased because of natural disasters and other reasons, the output of liquor increased by 800,000 tons and 700,000 tons, respectively.

Is the rapid development of liquor production the result of consumers' demand? No. The market is now short of only some famous brand national or local liquor, which totals around 100,000 tons. The remainder millions of tons of liquor are but ordinary products of which a considerable number are unsalable. Meanwhile, in recent years, the leading comrades of the CPC Central Committee and the State Council have repeatedly issued instructions urging the breweries and wineries to restrict the development of liquor and use grain sparingly. The departments in charge of alcohol production also suggested on numerous occasions that liquor production be controlled. Nevertheless, these words were not put into practice. The trend of liquor production in all localities did not decline in the slightest degree.

Why did these problems crop up? In my opinion, problems occurred in the state's macroindustrial policy concerning liquor production. China levies heavy taxes on liquor production (usually about half of the net profit). In other words, liquor producers have to pay 50 yuan of tax for the production and marketing of every 100 yuan of liquor. The original purpose was to "prohibit the business by taxing it heavily." Actually the state does not encourage the development of liquor which is an addictive and consumptive drink. In recent years, however, most of the localities in China implemented the financial responsibility system, that is, local tax income is directly related to local interests. The localities can become richer if they get more tax revenue. Under such a mechanism, the heavy taxes levied on distillers encouraged the development of liquor production rather than checking it. Although the taxes levied on liquor distilled from the grain purchased at negotiated prices have been reduced and the special income from sales goes to central finance, the localities can still make a profit.

Therefore, "the secret of success and being a good magistrate is to run the breweries well" has become a popular saying. The breweries became a "ready source of money" for many localities. In some localities, the tax payments and profits turned over by the breweries accounted for 50 percent of local revenue. Some breweries even became the largest profiteers of the whole



province. No wonder the number of breweries and wineries has increased markedly. The localities with large amount of grain as well as those with a limited amount of grain ran breweries in good harvests as well as in bad ones. According to incomplete statistics, there are more than 30,000 breweries and wineries throughout the country, of which over 70 percent are small ones. The output of liquor also increased in some localities. Take the 1987 statistical figures for example, Sichuan's liquor output ranked first, totaling over 760,000 tons, Shandong's output reached 570,000 tons, Jiangsu's output amounted to over 300,000 tons, and the output of Guizhou and other localities also exceeded 100,000 tons.

When there is too much unsalable liquor, people have to think of finding a way out. Hence, they use all forms of commissions to promote sales, use false trademarks to deceive the customers, hold all kinds of appraisals and spend money to buy "famous brands," and spare no expense to launch advertisements of every description. The dazzling sales promotion indeed intoxicated everyone, more and more people drank liquor, and the sales of liquor increased remarkably. Moreover, entertaining guests and holding banquets became a prevailing practice because of the unhealthy tendency of eating and drinking fostered in recent years. Some people wrote the following antithetical couplet: "Drink good, bad, and all kinds of alcohol; drink today, drink tomorrow, and drink everywhere." The horizontal scroll was: "Forget about it when you die of drinking."

China has an average per capita of only 1.5 mu of cultivated land, a factor conditioning the development of grain production. Although China's grain production has increased somewhat in recent years, the output has fluctuated at the 400 billion kg level. The state has tried to find many ways to increase grain production. Viewed from the near future, however, it will be impossible to increase grain output by a wide margin. Hence, grain is still an extremely valuable and rare material. China allocates only 50 billion kg of grain a year to the country's nonagricultural population, yet 12.5 billion kg of grain is consumed to brew liquor which is of no nutritive value. This is undoubtedly an appalling waste of resources.

China has a long history of brewery. Wine culture is a component part of the cultural heritage of the Chinese nation. When grain and revenue are taken into account, however, all previous governments have exercised strict control over alcohol production. Although many writers wrote and spoke a great deal about drinking, some people wrote to the emperor urging him and his ministers to give up drinking.

Almost all the countries have adopted measures to exercise control over brewing, particularly production and consumption of strong liquor. The strong liquors of these countries are but brandy and whiskey under 40 proof. The only country that can match China in brewery is the Soviet Union. The vodka distilled from maize in

the Soviet Union is only 40 proof. In recent years, however, the Soviet Union has adopted measures to limit the production and marketing of this strong alcohol. Moreover, the governments of all countries have realized the defects caused by the excessive consumption of strong alcohol. After a review of the situation at home and abroad in both ancient and modern times, a man of insight said: "The current policy which encourages the development of liquor has not only exhausted billions of kg of grain, but also turned more people into alcoholics. Then it will be impossible to prohibit alcohol production. Proceeding from our responsibility to the later generations of the Chinese nation, we should not allow production of liquor to continue any longer."

Indeed, China's liquor production has reached an extent which must be checked immediately. The relevant departments of the state should undertake the responsibility, adopt drastic and effective measures of which the most important one is to turn over tax payments of liquor to the central authorities, check the enthusiasm of the localities for developing liquor, and benefit the people, the state, the society, and the future.

**Farmers Collect Funds for Irrigation Projects**  
*OW0212125588 Beijing XINHUA in English*  
1326 GMT 29 Nov 88

[Text] Beijing, November 29 (XINHUA)—Chinese farmers have collected funds themselves to build irrigation projects after experiencing a year of natural disasters, an official from the Ministry of Water Resources said here today.

Since August this year, he said, farmers across the country have spent some 217 million working days in the construction, completing 395 million cubic meters of earth and stone. This means an increase of 55 percent and 16 percent respectively over the corresponding period of last year.

By mid-November, some 600 million yuan (160 million U.S. dollars) of funds have been collected in nine provinces and municipalities, including Henan, Shandong, Guangdong and Beijing. The money will be used to repair the facilities damaged by this year's flood.

Fourteen provinces and autonomous regions suffered from floods this year, which affected some 12 million hectares of farmland, he said.

Meanwhile, China's major grain producers, Hunan, Anhui, Hubei and Jiangsu Provinces, were hit by serious drought. A total of 30 million hectares of farmland was affected.

The drought and flood have taught the Chinese farmers a lesson. They have come to realize the importance of irrigation projects in the struggle against natural disasters and that they couldn't depend solely on the state to build or repair these projects.



The decrease of grain output this year, the official admitted, was also due to the ineffectiveness of some irrigation projects which have been neglected for years. The maintenance of these irrigation projects was poor because of the inadequate input on the part of local authorities and shortage of building materials.

**Coastal Economic Zones Confront Challenges**  
*OW0212104388 Beijing XINHUA in English*  
1449 GMT 29 Nov 88

[Text] Tianjin, November 29 (XINHUA)—China's coastal economic zones have worked out countermeasures in a bid to tide over a tough economic situation they are confronted with.

A symposium on economic theories held in Tianjin recently revealed that these zones are being challenged by foreign protectionism and domestic competition.

"The developing countries are contending with each other in attracting foreign investment, and on the other hand, coastal and inland cities in China are also vying in striving for foreign funds and technology," an economist told XINHUA.

To ensure further development, according to the economist, each zone has worked out unique countermeasures, including:

- Creating an internationally-accepted investment environment to cater to foreign investors' requirements to the maximum; perfecting the managerial system of boards of directors in joint ventures and improving services to facilitate foreign investments.

- Giving priority to the introduction of hi-tech projects and projects involving newly-emerging industries. The Fuzhou and Qingdao zones will set up hi-tech estates and grant more preferential policies to attract investment in this respect.

- Varying foreign investment sources and expanding economic cooperation with inland enterprises.

- Improving joint ventures' economic efficiency to ensure more profits for foreign investors.

**Food Industry Becomes Second Largest Industry**  
*OW0312013288 Beijing XINHUA in English*  
0704 GMT 29 Nov 88

[Text] Beijing, November 29 (XINHUA)—The output value of China's food industry is expected to hit 125 billion yuan this year, next only to that of the machinery and textile industries, according to statistics provided by the departments concerned.

China's food industry has reported an average annual growth of 10 percent since 1979, the statistics show. The output value of the food industry last year totalled 113.4 billion yuan, five times of the figure for 1978.

This year, China's beer production is expected to reach six billion liters, making China one of the biggest beer producers in the world. This year's figure represents a 10 percent increase over last year and 15 times the figure of 1978.

In addition, the output of soft drinks has also risen to three billion liters from 200 million liters in 1978.

The food industry has also become one of China's major foreign exchange earners of exports. The industry earned a total of 4.5 billion U.S. dollars in foreign exchange from exports last year and the figure is expected to increase to five billion U.S. dollars this year.

Varieties of foodstuffs have also expanded in recent years. And China's first international food fair will be held in Beijing next month.

**Minister Views Supply of Light Industry Goods**  
*OW0212102388 Beijing RENMIN RIBAO in Chinese*  
27 Nov 88 p 2

[By reporter Yang Like]

[Text] Beijing, 26 Nov (XINHUA)—The Ministry of Light Industry has increased the effective supply of light industry goods in view of the fact that this is an important measure for improving the economic environment. The ministry also has earnestly readjusted the growth rate and policy of light industry to ensure an increased effective supply of such goods.

Zeng Xianlin, the minister of light industry, told reporters the other day that a very good situation has emerged with regard to the nation's light industry production. The industry, however, is facing serious problems. Chief among these difficulties is the rapid increase in the price of raw and semifinished materials and energy, which in turn has affected the production of daily necessities and resulted in the shortage of some of these necessities. It is Zeng Xianlin's belief that in the efforts being made to improve the economic environment and rectify the economic order, we must pay attention to the following two aspects: The first is curtailment. We must make vigorous efforts to check the overheated situation of investment. The second is development. We must effectively increase market supply, especially the supply of commodities that meet market demands.

Zeng Xianlin told reporters that the relevant departments and bureaus of the ministry had met recently to work out some macroeconomic policies and specific measures. The main contents of these policies are the following:

Readjusting the growth rate of light industry; vigorously promoting the production of famous brand, high-quality, new, and special products and other products that meet market demands; increasing effective market supply; imposing restrictions on inefficient enterprises which consume great amounts of energy, grains, and other raw materials in short supply; which use too much foreign exchange; which create serious pollution problems; and which turn out poor quality products.

Readjusting light industry and its product mix. It is necessary to increase, first of all, the production of daily necessities and commodities in short supply, including paper, salt, sugar, detergent, plastic sheeting for agricultural use, aluminum products, and enamel ware. Efforts should be made to increase both output and production capacity. The production of matches, gourmet powder, and glass bottles, which have become in short supply of late, should also be increased.

Giving prominence to the production of raw and semifinished materials, including pulp, sugar crops, caustic soda, and farm and sideline agricultural products, for light industry in order to ensure that it will have a steady supply of raw materials. At the same time, vigorous efforts should be made to increase the output of such light industrial goods as refrigerators, famous brand bicycles, pianos, famous brand liquor, and high-quality cigarettes in order to withdraw more cash from circulation.

In addition to this, we must actively develop export production, especially products with high added value and intensively processed products.

Zeng Xianlin also disclosed that the ministry will convene the national conference of directors of light industry departments and bureaus ahead of schedule in late December to discuss and implement the instructions of the central leaders on increasing the "effective supply" of light industrial goods and other related matters and to work out specific policies for next year's light industrial production.

**Ministry Doubts Fulfillment of Oil Output Goals**  
*HK0212122188 Beijing CEI Database in English*  
2 Dec 88

[Text] Beijing (CEI)—There seems to be difficulties in fulfilling China's 137 million ton crude oil output target set for this year, sources from the Ministry of Energy Resources said.

The output growth rate under this year's production plan has been limited for lack of back-up oil reserves. Meanwhile, as old oil-fields are entering high water-bearing periods, stable work-loads are increasing annually, the source explained.

Also, due to serious floods, Daqing and Jilin oil-fields, the national's two major oil producers, turned out 600,000 tons less than normal. Shengli and Zhongyuan oil-fields had less output too for similar reasons.

Oil departments are presently taking emergency measures in a bid to assure a daily output of 388,000 tons for November, and 393,000 tons for December.

### East Region

**Chen Guangyi at Fujian Construction Conference**  
*OW0212130088 Fuzhou FUJIAN RIBAO in Chinese*  
13 Nov 88 pp 1, 4

[Excerpts] The provincial party committee and government convened a telephone conference last night at which arrangements for further reexamining fixed asset investment projects under construction and curbing the investment scale were made.

The conference was presided over by Chen Guangyi, secretary of the provincial party committee. Chen Guangyi, Wang Zhaoguo, and You Dexin made important speeches.

The conference held that much work has been done in various localities with regard to reexamining projects under construction and curbing fixed asset investment. Consequently, a number of projects under construction either have been stopped or postponed. Many comrades, however, still have not straightened out their thinking toward the reexamination of projects under construction, do not have a firm resolution or a clear understanding of the situation, and have not implemented strong measures. As a result, progress in this work has been slow, falling considerably short of what is required of us by the party Central Committee. In view of this fact, the conference emphasized that all departments in the various prefectures and cities must align their thinking with the policies of the party Central Committee and strictly observe the regulations set forth by the relevant State Council documents. They must have a clear understanding of the situation, make a list of the projects under construction, and carry out an examination one-by-one. They must not be softhearted; those projects that should be stopped, postponed, or curtailed must be stopped, postponed, or curtailed.

The conference made specific arrangements for the next step in the reexamination and put forward the following requirements: 1) The leadership bodies in all localities and departments must organize a reevaluation and remobilization in order to profoundly understand the great immediate and far-reaching significance of the policies of the party Central Committee and the State Council and to take action on specific projects. 2) It is necessary resolutely to carry out the State Council's stipulation to "stop all projects that have not started yet," and to firmly put an end to the practice of "rushing into new construction projects." As for those projects which have already been rushed into construction, the engineering teams must withdraw from the construction sites, the banks must stop funding, the electricity departments must cut off the electricity supply, the material departments must stop their supply of materials, and the construction administrative departments must revoke the project license. 3) The construction of office buildings, auditoriums, guesthouses, and extra-budgetary

projects should be the focus of the current reexamination. Projects which are not 50 percent complete in terms of total investment, or not 70 percent complete if they are single item projects, must be stopped or postponed without exception. We must not accommodate excessively those projects that have been rushed through day and night in order to qualify as postponed projects; we must handle them in strict accordance with the deadline set by the State Council in its "Circular on Conducting a Comprehensive and Thorough Reexamination of Office Buildings, Auditoriums, and Guesthouses." Those projects that were rushed through to meet the deadline must be disqualified. Extra-budgetary projects must be stopped immediately, no matter what their nature or purposes are. 4) Banks and other financial organs at all levels must resolutely carry out the State Council's documents and regulations and immediately stop loans for extra-budgetary, nonproduction construction projects and fixed asset investment projects financed by self-raised funds (including "assorted cold dishes" projects built with self-raised funds). For extra-budgetary projects, projects which began after 8 October, or newly assigned budgetary projects, it is necessary to take forceful measures to freeze all their construction funds. 5) Construction and engineering departments and other competent authorities involved in the stopped or postponed projects must follow the stipulations in the circulars issued by the provincial or prefectural (city) leading group for reexamining projects. Except for work required for ensuring safety, all construction work must stop immediately and engineering units must leave the construction site before 1 December. [passage omitted]

The conference stressed: Since only 20 days remain before the deadline for completing reexamination, all localities and departments must immediately mobilize and conscientiously, resolutely, and thoroughly implement and accomplish the task of reexamining construction projects and curbing the scale of investment. Leaders of various departments in the provincial government must take the lead in straightening out their thinking and attitudes; they must fully understand the importance and urgency of this work; and they must resolutely rectify such erroneous thinking as that of stressing privileges, a wait-and-see attitude, and hesitation for fear of difficulties. They must resolutely overcome such incorrect attitudes as only paying lip service and not doing any real work. It is imperative that they actually do things. All capital construction projects that should be stopped or postponed according to the regulations of the State Council must be stopped immediately. [passage omitted]

Those who attended last evening's telephone conference included secretaries of the prefectural, city, and county party committees; commissioners; mayors; county heads; and officials from the relevant departments. Also attending in response to invitations were leaders of the provincial departments and officials from the provincial Advisory Commission, the provincial People's Congress, and the provincial CPPCC Committee.



**Education News Branch Established in Fujian**  
*OW0312045488 Fuzhou Fujian Provincial Service*  
*in Mandarin 1100 GMT 26 Nov 88*

[Text] The ZHONGGUO JIAOYU BAO [CHINESE EDUCATION NEWS] Fujian reporter station was inaugurated in Fuzhou today.

The ZHONGGUO JIAOYU BAO is a specialized newspaper run by the State Education Commission with nationwide publication. With the establishment of the Fujian branch office, the newspaper will be able to report timely on new faces, events, and situation in our province's educational system.

Attending today's inauguration ceremony and also making speeches were He Shaochuan, standing committee member of the provincial party committee and head of the provincial Propaganda Department; (Huang Ming), deputy chairman of the provincial Advisory Committee; (Zhang Yunning), vice chairman of the provincial People's Congress; Chen Mingyi, vice governor; and (Pan Ming), former director of the newspaper.

It is learned that the ZHONGGUO JIAOYU BAO Fujian Station was the 57th reporter station established by a government news agency in Fuzhou.

**Jiangsu Leaders at Women's Federation Congress**  
*OW0212150888 Nanjing Jiangsu Provincial Service*  
*in Mandarin 1015 GMT 27 Nov 88*

[Excerpts] More than 1,100 women delegates from various fronts representing the over 30 million women in Jiangsu Province today gathered at the Great Hall of the People in Nanjing to formally raise the curtain on the Seventh Congress of the Jiangsu Provincial Women's Federation.

Leading comrades from the provincial CPC Committee, the Advisory Committee of the provincial CPC Committee, the provincial People's Congress, the provincial people's government, the provincial CPPCC Committee, and the provincial Planning Commission, including Han Peixin, Gu Xiulian, Sun Han, Fu Hao, Cao Hongming, (Deng Kang), Li Zhizhong, Wu Xijun, Luo Yunlai, and Cao Keming, were invited to sit in the front row across from the rostrum. [passage omitted with indistinct portions]

(Zhang Liangen), chairman of the Executive Committee of the presidium of the congress, chaired the meeting. [passage omitted] On behalf of the provincial CPC Committee, Secretary Han Peixin warmly congratulated the meeting and extended respect and greetings to the delegates, to women throughout the province who have made a significant contribution to reform and construction, and to retired veteran comrades who have devoted themselves to the women's movement in the province.

Women are an important force in China's reform and construction. Han Peixin hoped that women's federations in the province would give top priority to implementing the major central policies and the policies of the provincial party committee. They must focus their effort at the grass-roots level in order to mobilize women throughout the province to pitch in and help to improve the economic environment, to correct the economic order, to advance reform, and to promote the economy. He also called for women in the province to cultivate themselves in ideology and morality, to study the sciences and liberal arts, and to build up their self-esteem and self-confidence so that they may become independent and strong. Party committees and governments at all levels, as well as various sectors of society, were urged to enthusiastically support women's work and to create more favorable conditions for the women's movement.

At the request of the Executive Committee of the Sixth Jiangsu Provincial Women's Federation, Comrade Qin Suping presented a work report at the meeting. The report fell into two parts: the advances of the women's movement in Jiangsu in the course of reform, and the mission of the women's movement for the next 5 years. [passage omitted]

The meeting passed rules for electing the Executive Committee of the Seventh Jiangsu Provincial Women's Federation.

**Mao Zhiyong Attends Jiangxi Book Meeting**  
*OW0312033088 Nanchang JIANGXI RIBAO*  
*in Chinese 20 Nov 88 p 1*

[Excerpts] The writing, compilation, and editing of the first draft of the book "Contemporary China's Jiangxi" is now basically complete, and the whole book will be examined soon. Leading comrades of the Jiangxi Provincial CPC Committee and the provincial government have paid good attention to the work. Leading comrades including Mao Zhiyong, Wu Guanzheng, Liu Fangren, Jiang Zhuping, and Wang Taihua and advisors to the compilation committee of the book including Bai Dongcai, Fang Zhichun, and Zhao Zengyi all attended the third meeting on the compilation of the book. The meeting opened on 13 November and was presided over by Fu Yutian.

The central topic of the third meeting was how to raise the quality of the volume on Jiangxi Province. The meeting transmitted the guidelines of the meeting on the compilation of the "Contemporary China" series convened in Beijing in May this year. The participants in the meeting made reports on their work and discussed tasks for the future. All members of the compilation committee and writers and workers of the compilation committee taking part in the meeting are determined to continue their fighting spirit, work with concerted efforts, and ensure the high quality of the book to successfully fulfill this job. [passage omitted]

Mao Zhiyong, Bai Dongcai, and Fu Yutian spoke at the meeting. In their speeches, they said they hope that all members of the compilation committee and writers and other workers of the committee would carry forward their fighting spirit and strive to further improve the quality and complete the compilation and writing of the volume "Contemporary China's Jiangxi."

**Wang Fang on Jiangxi Tour, Meets Mao Zhiyong**  
**OW0212132988 Nanchang JIANGXI RIBAO**  
*in Chinese 19 Nov 88 p 1*

[Text] Wang Fang, state councillor, minister of public security, and first political commissar of the Armed Police Force, and Hu Zhiguang, vice minister of public security, recently went to Jiangxi Province to inspect public security work there.

In the afternoon of 17 November, accompanied by Wang Zhaorong, member of the Standing Committee of the provincial party committee and head of the Political Science and Law Group under the provincial party committee, Wang Fang and Hu Zhiguang first called on the provincial Public Security Bureau, the provincial Armed Police Corps, and the Nanchang City Public Security Bureau. Then they went to the south police station, the traffic police box at 81 Square in Nanchang, and the jail at the Nanchang County Public Security Bureau to convey greetings to the public security personnel and armed police who fight on the frontlines.

During the inspection, Wang Fang and other leading comrades were briefed by the provincial Public Security Bureau, the provincial Armed Police Force, and the Public Security Bureau of Nanchang City on their work. They also visited the headquarters of the Public Security Bureau of Nanchang City. Wang Fang said: Party committee and government members at all levels in Jiangxi have attached great importance to public security work. They have created favorable conditions for doing a good job in this area by showing great concern for the buildup of the Armed Police Force and for solving many problems of the public security departments. Public security work has been hard, but it has also been efficient, which proves that our public security force is combat worthy and reliable. Public security and armed police departments must persist in enforcing strict discipline among their personnel, upholding honesty and integrity in their work, and educating their personnel in clean police work in order to further improve the quality and combat readiness of the public security force, to actively take part in the campaign to improve the economic environment and rectify the economic order, and to make new contributions to the comprehensive deepening of reforms.

Wang Fang also analyzed the current situation of public security in rural areas, as well as public security work for this winter and next spring. He made new demands with regard to further enhancing public security work.

Provincial and city leaders, including Mao Zhiyong, Liu Fangren, Jiang Zhuping, Li Aisun, and Cheng Andong, called on Wang Fang at his place of residence during his stay in Nanchang.

**Zhejiang Leaders Attend Rural Work Meeting**  
**OW0312023088 Hangzhou ZHEJIANG RIBAO**  
*in Chinese 22 Nov 88 P 1*

[Text] The 5-day provincial rural work conference ended in Hangzhou yesterday.

The participants conscientiously studied the guidelines of the national rural work conference and speeches made by Xue Ju and Shen Zulun on strengthening leadership over agricultural production and rural work, extensively and penetratingly conducting education on current situation in rural areas and probing new ways for strengthening the reform in rural areas. They also heard and discussed a speech made by Xu Xingguan, entitled "Strengthen Leadership and Strengthen the Reform To Reap a Bumper Harvest in Agricultural Production Next Year," exchanged experiences, and studied measures to reap a bumper harvest in agricultural production, especially grain production. They have thus strengthened their confidence in strengthening the reform in rural areas and developing the rural economy.

Leading comrades of the provincial party committee and the provincial government including Xue Ju, Shen Zulun, Chen Fawen, Ge Hongsheng, Luo Dong, Xu Xingguan and Wang Zhonglu attended the 20 November meeting.

**Zhejiang Congress Standing Committee Meets**  
**OW0412094488 Hangzhou ZHEJIANG RIBAO**  
*in Chinese 24 Nov 88 p 1*

[Text] The Sixth Session of the Seventh Zhejiang Provincial People's Congress Standing Committee opened in Hangzhou on 23 November.

Chairman Chen Anyu presided over the opening meeting. Vice Chairmen Wu Minda, Wu Zhichuan, Wang Qidong, Zhu Zuxiang, Wang Yumin and Yang Bin were present at the meeting.

The session is scheduled to last 5 days. The main items on its agenda include studying the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, and the "decision on strengthening democratic legal system, maintaining stability and unity and ensuring a smooth proceeding of reform and construction" adopted by the Fourth Session of the Seventh NPC Standing Committee; hearing and deliberating the provincial people's government's report on the situation of agricultural production; hearing and deliberating the provincial people's government's report on inspecting the implementation of "Economic Contract Law" and "Law of Economic Contracts Involving Foreigners;" deliberating



"Procedures of Zhejiang Province for Organizing Villagers' Committees (draft);" deliberating "Regulations of Zhejiang Province for Preservation and Management of Cultural Relics (draft);" and deliberating relevant personnel appointments and removals.

The meeting yesterday listened to a report made by Vice Governor Xu Xingguan on behalf of the provincial people's government on the current situation of rural economy and the rural work arrangements for next year. On the rural situation, Xu Xingguan said in his report: Some new progresses have been made in rural reform, and new growth achieved in rural economy. The per capita income among peasants this year is expected to reach 860 yuan, up 135 yuan from last year. At present, the main problems in the countryside are agricultural problems, and the main agricultural problem is the grain problem. In Zhejiang Province, the grain output has been declining for 4 consecutive years, and it is estimated that this year's total grain output will be 3 percent less than last year. For this reason, the provincial government will put the stress of next year's rural work on reaping good agricultural harvests, particular the grain harvests. It will mainly adopt the following measures: 1) to arouse peasants' enthusiasm for growing grain crops, 2) to raise funds through multiple channels, 3) to actively popularize science and technology and measures for increasing production, 4) to stabilize the area of grain crops by every possible means, 5) to make great efforts to build farmland water conservancy projects, and 6) to strive to improve the supply of means of agricultural production. At the same time, the provincial government will further stabilize and perfect the output-related system of contracted responsibilities, gradually carry out the reform of the farm product circulation system and pricing system, actively and properly readjust the structure of rural production, and gradually promote large-scale agricultural operation under organized leadership.

The meeting also listened to a report made by director of the provincial commodity price bureau Wu Guanghua on behalf of the provincial government, on current commodity price problems.

Present at the meeting as nonvoting delegates were responsible persons of the provincial Higher People's Court, the provincial People's Procuratorate, and the departments concerned under the provincial government; members of various working committees under the provincial People's Congress Standing Committee; responsible persons of all city People's Congress Standing Committees; and liaison officers of prefectural people's congresses. Several NPC deputies and provincial People's Congress deputies attended the meeting on invitation as observers.

Beginning on 24 November, the Standing Committee members will hold group meetings to examine and discuss the two above-mentioned reports.

#### Session Ends 28 Nov

OW0312030488 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 28 Nov 88

[Text] The Sixth Session of the Standing Committee of the Seventh Zhejiang Provincial People's Congress ended this afternoon.

After careful deliberation, the session passed the Measures for Implementing the Zhejiang Provincial Villagers' Committee Organic Law and the Zhejiang Provincial Cultural Relic Protection Regulations. The two laws will take effect on the day of promulgation.

The session also passed a proposal for personnel appointment and removal by the responsible person of the provincial People's Procuratorate.

Vice Chairman Wu Minda chaired the session. Chairman Chen Anyu, Wang Qidong, Zhu Zuxiang, Wang Yumin, and Yang Bin attended the session. Provincial Governor Shen Zulun was also present at the session.

#### Southwest Region

##### Activities of Sichuan's Yang Rudai Highlighted

#### Criticizes Leading Cadres 25 Nov

OW0212114488 Beijing RENMIN RIBAO in Chinese 26 Nov 88 p 1

[By reporters Wang Yi, Xu Bo, and Yang Li]

[Text] Chengdu, 25 Nov (XINHUA)—At the Sichuan provincial meeting on rural work held on 24 November, Yang Rudai, member of the CPC Central Committee Politburo and secretary of the Sichuan provincial CPC Committee, severely criticized some of the leading cadres for their showy style of work.

Yang Rudai said: Right now, there are some county heads and secretaries in certain localities of our province who love to tour other counties and provinces. Thus, they simply have no time to go to the grass-roots units to understand the situation there and to help the peasants solve their problems. This is the major reason for the sign of "great enthusiasm at the county level, little enthusiasm at the district and township level, and no enthusiasm at the village level" in developing agriculture.

Yang Rudai pointed out: Following the implementation of the reform program, Sichuan has witnessed an 8.7 percent annual rate of growth in agricultural production during the past decade and a sustained growth in hog production for the last 11 years. This is a great achievement by the peasants.



He urged county heads and secretaries to pay attention to the development of agriculture, to study the new situation in the countryside, to help the peasants resolve actual problems of all types, to truly serve the peasants, and to try their very best to reap a good harvest next year.

#### **Writes on 10 Years of Reform**

*HK0412022388 Chengdu Sichuan Provincial Service  
in Mandarin 2300 GMT 3 Dec 88*

[Text] It is almost 10 years since the 3d Plenary Session of the 11th CPC Central Committee, held from 18 to 22 December 1978. The 4 December SICHUAN RIBAO publishes an article by CPC Central Committee Political Bureau member and Sichuan Provincial CPC Committee Secretary Yang Rudai to mark this anniversary, entitled "Sum Up Experiences, Clearly Understand the Situation, and Continue To Press Ahead With the Great Cause of Reform."

The article says: It is now 10 years since the victorious convening of the 3d Plenary Session of the 11th CPC Central Committee. Ten years ago, our party brought order out of chaos and laid down the ideological line of emancipating the mind, seeking truth from facts, and uniting as one to look ahead. We started the fundamental shift of the party's work focus and raised the curtain on the economic structural reforms that have attracted world attention. The reforms and development of the past 10 years have brought hope to the Chinese people and to socialism.

In Sichuan, in common with the whole country, under the correct leadership of the CPC Central Committee and the impetus of the great tide of reform, tremendous changes have taken place in the economic, political, cultural, and other fields.

Today, in marking the 10th anniversary of the 3d Plenary Session of the 11th CPC Central Committee, we should seriously sum up experiences, gain a clear picture of the situation and tasks, brace our spirits still more, and continue to press ahead with reforms and opening up, this great, vigorous, and creative cause, and with the socialist cause that brings happiness to millions of people.

During the past 10 years economic, political, and cultural life has flourished greatly in Sichuan. This has been the best period since the founding of the state. It has also been the period in which the people have gained the most tangible benefit. The masses have seen and experienced this for themselves.

Comparing 1987 with 1978, Sichuan's gross domestic product, national income, and industrial and agricultural output value, calculated according to comparable prices, respectively increased by 135 percent, 118 percent, and 127 percent. Financial revenue rose from 3.7 billion yuan to 7.5 billion yuan. During the 10 years,

total retail sales rose by 246 percent, while average wages rose by 130 percent. Average net peasant incomes increased by nearly 200 percent. In the wake of rising incomes, people's living standards have improved markedly. In 1987, people's average daily calorie intake was 2,709, reaching the level of a medium-income country. Improvements in varying degrees have been recorded in urban and rural food, clothing, housing, and utensils. More and more households are using consumer durables such as electrical apparatus. Comparing the history of development of the countries of the world in light of the level and characteristics of Sichuan's economic development and the consumption levels of its people. We have started to shift from resolving the food and clothing problem to reaching a comfortably well-off standard.

Comrade Yang Rudai's article goes on to give a detailed review in five respects: Recalling the 10 years of reform, the achievements are encouraging; seriously sum up experiences and boost confidence in reforms; unify understanding and strengthen confidence in continuing to forge ahead; continually sum up the new situations and resolve the new problems in the course of improvement and rectification; take advantage of our political strong points and strive for new victories in reforms and construction.

#### **North Region**

**Inner Mongolia Holds Commendatory Rally on Unity**  
*SK0512063088 Hohhot NEIMENGGU RIBAO  
in Chinese 17 Nov 88 p 1*

[Excerpts] Representatives of various nationalities, with glorious red flowers on their chests and in an extremely happy and excited spirit, entered the auditorium of the autonomous regional government on the morning of 16 November. The second regional rally to commend advanced collectives and individuals who distinguished themselves in national unity and progress was held here.

Leading comrades of the autonomous regional party, government, army and CPPCC units attended the rally. They included Wang Qun, Bu He, Zhang Dinghua, Qian Fenyong, Batubagen, Xu Lingren, Zhou Rongchang, Wen Jing, Liu Yunshan, Yang Enbo, Hao Xiaoshan, Lin Weiran, Shen Xinfu, Ke Ligeng, Chen Bingyu, He Yao, Butegqi, Zhang Cangong, Seyinbayaer, Bai Junqing, Liu Zhenyi, Sha Tuo, Pei Yingwu, Liu Zuohui, Alata-naoqier, Zhao Zhihong, Li Guibin, Wu Ligeng, Han Ming, Li Shuyuan, Baoyanbatu, Yun Zhaoguang, Wang Chongren, Tu Ke, Chen Jie, Yun Shufen, and Wu Lan.

Ting Mao, member of the Central Advisory Commission, Kong Fei, member of the Standing Committee of the National CPPCC Committee, and Wang Duo, an old comrade who had worked in Inner Mongolia for a long time, were also present at the rally.

Chen Xin, vice minister of the State Nationalities Affairs Commission, made a special trip here to attend the rally, and delivered a speech. She extended warm congratulations to the rally on behalf of the United Front Work Department of the CPC Central Committee and the State Nationalities Affairs Commission.

Batubagen, deputy secretary of the autonomous regional party committee and chairman of the autonomous regional People's Congress Standing Committee, presided over the rally in the morning. He declared the rally open.

Bu He, deputy secretary of the autonomous regional party committee and chairman of the autonomous region, delivered an opening speech. On behalf of the autonomous regional party committee and government, he extended heartfelt gratitude and great respect to the representatives who attended the rally and to those to be commended. Bu He said: The Inner Mongolia Autonomous Region is one of multiple nationalities with people of the Mongolian nationality as the mainstay. Practice in the past four decades since the founding of the autonomous region has proven that the people of various nationalities of our Inner Mongolia cherish a deep love for the party and socialism, and have the fine tradition of safeguarding the unification of the motherland and upholding the unity of various nationalities. All the victories we have won are the results of the united hard work of the people of various nationalities throughout the region. In building socialism with Chinese characteristics, we are in even greater need for the people of various nationalities to work hard and make progress in unity. This rally serves not only as a review and summary but also as an effective promotion of national unity and progress for the region. Through this rally, we should foster good examples, learn from the advanced, and push national unity and progress on to a new stage. [passage omitted]

Qian Fenyong, deputy secretary of the autonomous regional party committee, delivered a closing speech. He urged: After studying and implementing the guidelines of the national commendatory rally on national unity and progress, all localities and units should also successfully relay and implement the guidelines of this rally. Throughout the region localities and units should create an upsurge in learning from and catching up with the advanced, and in making contributions to national unity and progress. Advanced collectives and individuals who have distinguished themselves in national unity and progress should maintain their honor, guard against arrogance and rashness, and exert unremitting efforts to make new contributions. They should influence and lead the cadres and ordinary people of various nationalities throughout the region with their exemplary deeds so that more advanced collectives and individuals will emerge in all localities, departments and fronts, and more fruitful achievements will be scored in national unity.

Also attending were responsible comrades of the various departments, committees, offices, sections, and bureaus of the organs directly under the autonomous region; party committee secretaries and heads of various leagues and cities; responsible persons of various democratic parties and people's organizations; and representatives of cadres and ordinary people of various nationalities, commanders and fighters of the army units and armed police force stationed in Hohhot, and people of various circles.

**Inner Mongolia Oil Field Under Construction**  
*OW0312082688 Beijing XINHUA in English*  
0134 GMT 3 Dec 88

[Text] Hohhot, December 3 (XINHUA)—Construction of the Arxa oilfield, in the Inner Mongolia Autonomous Region's Eren Basin, is in full swing.

The oilfield, with a verified reserve of 558.3 million bbl of oil, is expected to produce 2.1 million bbl of crude oil next year.

This means the region may become one of China's major oil producers, said an expert from the North China Petroleum Administration in Hohhot, capital of the region, today.

This year more than 10,000 oil workers have drilled 235 wells in the Arxa oilfield, of which 233 have produced oil of commercial standard.

By last September 116 of the wells in the Arxa region had produced 112,000 bbl of oil.

A 365 km pipeline to transport the Arxa oil is expected to be completed in October next year.

The expert said the construction of the Arxa oilfield will be completed in 1990, two years ahead of schedule.

The oilfield is expected to produce seven million bbl annually when it is in full operation.

The expert said that the Eren Basin in the middle of the region has proven reserves of about seven billion bbl.

**Li Ruihuan Meets World Bank Representative**  
*SK0312072188 Tianjin City Service in Mandarin*  
2330 GMT 2 Dec 88

[Text] On the evening of 2 December at the Yingbin Guesthouse, Li Ruihuan, mayor of Tianjin Municipality, met with Mr (Lin Honggeng), head of the Beijing branch of the World Bank, and his wife.

Cordial and friendly talks were held between the host and guests.

Li Ruihuan said: There has been a good foundation for cooperation between Tianjin and the World Bank. I believe that through this visit, the cooperation between both sides will further be promoted in the future.

Mr. (Lin Hongpeng) said he would endeavor to expand the cooperation between the World Bank and Tianjin.

Li Changxing, vice mayor of the municipality; Hu Xiaohuai, adviser to the municipal government; and responsible persons of relevant departments attended the meeting.

Mr. (Lin Hongpeng) held talks on developing the long-term cooperation ties between the World Bank and Tianjin with responsible persons of the municipal planning committee, the municipal construction committee, the municipal financial bureau, and the municipal investment bank.

The guests will leave Tianjin on 3 December after going sightseeing in the city.

**Li Ruihuan Writes Inscription for Tianjin Plant**  
*SK0512092888 Tianjin City Service in Mandarin*  
2300 GMT 4 Dec 88

[Excerpt] The municipal seamless-cooper-tubing plant conducted self-education activities to review the plant's 30 years of history and to talk about the 10 years of reform among workers in an effort to strengthen cohesion among enterprises.

Recently, Comrade Li Ruihuan, secretary of the municipal party committee and municipal mayor, personally wrote an inscription for this plant to encourage it to display political advantages and to invigorate the metallurgical industry. [passage omitted]

### Northwest Region

**Song Hanliang Views Xinjiang Rural Work Tasks**  
*HK0412053188 Urumqi Xinjiang Regional Service*  
in Mandarin 1230 GMT 3 Dec 88

[Excerpts] The regional party committee held a telephone conference this afternoon to relay and implement the spirit of the national rural work conference and make arrangements for reaping a bumper harvest for the 12th successive year. Tomur Dawamat, deputy secretary of the regional party committee and chairman of the regional government, presided.

Song Hanliang, secretary of the regional party committee, made a speech. He said: Seriously implementing the spirit of the national rural work conference and striving for a bumper harvest in agriculture and animal husbandry next year are of great significance for carrying out the policy

decision of the 3d Plenary Session of the 13th CPC Central Committee on improving the economic environment and rectifying the economic order. [passage omitted]

On rural production and work this winter and next spring, Song Hanliang stressed the following points:

1. Do a good job in preparations for spring farming to ensure its smooth progress. We must do everything possible to get a good grasp of supplying materials such as chemical fertilizer, pesticide, plastic sheeting, and farm machines. [passage omitted]

2. Do a good job in protecting livestock from natural disasters. [passage omitted]

3. Grasp water conservancy construction and rapidly whip up a large-scale upsurge in this work. [passage omitted]

4. Get a good grasp of tending the over-winter wheat.

5. Do a good job in grain and oil procurement and ensure the fulfillment of the procurement quotas. By 25 November, the region had fulfilled only 91.73 percent of the wheat procurement quota and 47.68 percent of the oil procurement quota. This is a serious problem. The party committees and government at all levels must continue to get a good grasp of procurement work. [passage omitted]

6. Carry out education in the situation in the rural areas. We must proclaim the tremendous achievements of the 10 years of reforms and the fine prospects, together with the country's current temporary difficulties and the ways of resolving them, to boost the peasants' confidence in reforms and production.

**High-Yield Oil Well Found in Xinjiang**  
*HK0512073488 Beijing RENMIN RIBAO in Chinese*  
1 Dec 88 p 1

[Report: "Xinjiang Oil Well Yields 682 Cubic Meters of Crude Daily"]

[Text] According to ZHONGGUO SHIYOU BAO [CHINA OIL PAPER], a high-yield oil-gas stream was gushed from Lunnan Oil Well 2, which is located at the middle section of the Tabei swell zone, on 17 November. A formal production test using a 19 millimeter nozzle showed the oil well yields 682 cubic meters of crude oil and 110 thousand cubic meters of natural gas daily.

Regarding geology, Lunnan Oil Well 2 is within the Lunnan structure of the Tabei swell zone. The spud-in began 24 March this year, and the well was 5,221 meters in depth when completed. In the process of drilling, signs of comparatively good gas-oil were found at Jura and Trias respectively, with oil layer totaling 60.5 meters, and with an oil-water layer measuring 29 meters.

Since last year, the Nan Jiang Oil Prospecting Company has drilled five test pits in Tabei area. Three have been completed, and industrial oil streams or favorable signs of oil-gas were identified in three.



## Hong Kong

**XINHUA Official Cited on 'Warning' Democrats**  
*HK0312025088 Hong Kong ZHONGGUO TONGXUN*  
*SHE in Chinese 1251 GMT 2 Dec 88*

[Text] Hong Kong, 2 Dec (ZHONGGUO TONGXUN SHE)—In recent days, amid the growing furor over the main political structure scheme adopted by the Guangzhou meeting of the political subgroup of the Basic Law Drafting Committee, reports carried by the English-language HONGKONG STANDARD and SOUTH CHINA MORNING POST on "A Chinese official Condemning the Democrats" have aroused concern from all sectors of society. Our reporter has therefore visited the persons concerned and learned that the course of events was as follows:

On 28 November, the HONGKONG STANDARD carried a report entitled "History Will Condemn Democrats' Fiery Protest—(Chinese) Official." The report said: "A Hong Kong-based Chinese official yesterday warned democrats planning to burn copies of a draft Basic Law chapter on political structure that they would be 'held responsible by history.' The local Chinese official declined to be named." On the same day, a spokesman for the Hong Kong branch of XINHUA issued a statement on the matter, pointing out: "The newspaper did not name this 'Chinese official.' According to our inquiries, responsible persons of this agency have not said any such thing. We think it irresponsible if someone is arbitrarily using the name of a Chinese official to make this kind of remark." The day after XINHUA issued this statement, that is, on 30 November, the SOUTH CHINA MORNING POST continued the affair by publishing an article by its political staff entitled "Crisis Mounts over Warning From Official," which repeated the HONGKONG STANDARD story, and went on: "It is understood that the remarks were made in an off-the-record interview in Guangzhou by XINHUA official Mao Junnian." It also said: "Asked yesterday (29 November) whether he made the remarks, Mr Mao declined to comment and only said the XINHUA had issued an official statement clarifying the matter."

Our reporter has learned that Mao Junnian holds that the HONGKONG STANDARD and SOUTH CHINA MORNING POST stories were inconsistent with the facts from subject to content, and had misled readers. Late in the evening of 30 November, Mr Mao wrote to the SOUTH CHINA MORNING POST, giving the following clarification:

1. I did not have contact with any reporter on 29 November. The words "declined to comment" and "XINHUA has clarified the matter" are purely fictitious.

2. The HONGKONG STANDARD's 28 November "Concern for the Basic Law" column article entitled "History Will Condemn Democrats' Fiery Protest—Official" was fictitious and misleading. The facts are as follows: During the Guangzhou meeting, a HONGKONG STANDARD reporter met me in a corridor on the first floor of the guesthouse. He asked me if I knew that the democrats were preparing to march to the XINHUA building to stage a hunger strike and burn a Basic Law chapter in protest. I replied, I have heard that you reporters get news faster than we do, what are the real facts? The reporter asked for my personal view, and I said that every person is free to express his opinions. As far as the Basic Law is concerned, there are many channels for making one's views known, and there is nothing constructive in fiery action. Moreover, there is still more than a year to go in the process of drafting the Basic Law. The main scheme drawn up by the subgroup at this meeting is by no means the final draft (not even the draft scheme counts), and it can still be revised. The reporter asked if a person burning a Basic Law chapter would be regarded as "not supporting the Basic Law" and thus failing to meet the conditions for membership of the first Legislative Council. I said that everyone must be responsible for what he says and does, otherwise he is displaying immaturity. If the burning of the Basic Law takes place during the formation of the first government and legislative organs, not surprisingly, this will be regarded as "not supporting the Basic Law." However I believe that the key lies in future, not present, behavior. It is not desirable to settle old scores. I again reiterated that this is just a chat between friends and a personal view, and does not represent anything and should not be reported in the media. I never imagined that the HONGKONG STANDARD would report this and that the SOUTH CHINA MORNING POST would embellish the story in retelling it. This has fundamentally distorted my original meaning, and is extremely regrettable.

3. This clarification proves that the XINHUA statement on the HONGKONG STANDARD report, pointing out that responsible persons of XINHUA had not made the remarks attributed by the STANDARD, is in accordance with the facts.

**Hunger Strikers Protest Post-1997 Proposal**  
*HK0412031288 Hong Kong SOUTH CHINA*  
*SUNDAY MORNING POST in English 4 Dec 88 p 1*

[By Kenneth Ko]

[Text] More than 50 activists began an around-the-clock hunger strike outside the NEW CHINA NEWS AGENCY [NCNA] office in Happy Valley yesterday afternoon in protest at a plan they claim will delay democracy in Hong Kong for at least 24 years.

Protesters representing 108 local groups chanted pro-democracy slogans and handed protest letters to an official of the agency, which is seen as Beijing's de facto consulate in the territory.

Veteran liberal Legislative Councillor and Basic Law drafter, Szeto Wah, and 50 young liberals were among the hunger-strikers voicing disapproval of a plan approved last month by Hong Kong and Chinese negotiators helping to draft the post-1997 mini-constitution.

Under the proposal, the Hong Kong Special Administrative Region's chief executive would not be chosen by one man, one vote election until 2012 at the earliest, depending on the results of a referendum.

That plan must still be approved by a full committee of Basic Law drafters and China's legislature.

The activists, who believe the chief executive should be chosen by universal suffrage in 1997 and that more than half the seats in the post-colonial legislature should be directly elected by Hong Kong's 5.7 million people, vowed to continue their 24-hour hunger strike until later this afternoon.

Religious leaders, educationalists, district board members and democracy lobbyists from 108 groups have thrown their weight behind the strike, which has been dubbed "Democracy Famine 24" to symbolise the 24-year delay in local democracy which protesters envisage under this latest political model.

They handed in a petition for branch director Mr Xu Jiatun, the senior Chinese representative in Hong Kong. The lobby wants Mr Xu, who is also vice-chairman of the Basic Law Drafting Committee, [BLDC] to pass on their discontent about this latest mini-constitution model to the forthcoming meeting of the BLDC's leading officials, scheduled for Tuesday and Thursday.

Since the hunger strike began, the participants have taken only water.

Mr Szeto said: "We stand firm that the road to democracy is long, winding and thorny. The hunger strike is just a start.

"We will continue our fight and struggle if we cannot see democracy in Hong Kong.

"Democracy is not a gift, rather it requires us to fight for it.

"I hope we team up our forces along the road to democracy to pursue it to the end."

The strike will end this afternoon when activists stage a protest march and burn copies of the Basic Law blueprint outside the agency. More than 500 people are expected to turn up at today's rally and among them will

be Legislative Councillor and Basic Law drafter Mr Martin Lee Chu-ming. He will lead a march from Victoria Park to the NCNA office.

The much-criticised mini-constitution model was put forward by publisher Louis Cha, and approved by Hong Kong members of the political sub-group of the BLDC, with the exception of Mr Szeto and Mr Lee.

The letter to Mr Xu accuses the model of depriving the public of their democratic rights for 15 years after the 1997 handover.

**Group of 88 Proposes Early Referendum on Polls**  
*HK0412031788 Hong Kong SOUTH CHINA*  
*SUNDAY MORNING POST in English 4 Dec 88 p 2*

[By John Tang]

[Text] The influential Group of 88 Basic Law Consultative Committee members yesterday suggested speeding up the pace of political development as outlined in drafter Mr Louis Cha's controversial proposal.

This included conducting a referendum in 2006 on whether to introduce universal polls to select the chief executive in 2007, five years earlier than Mr Cha's proposal.

They also suggested having another referendum in 2010 to decide whether the whole legislature should be directly elected by 2011, one year earlier than Mr Cha's model.

Announcing the decision after a two-day discussion, group leader Mr Vicenent Lo Hong-shui said the proposal was meant to improve the coordination of the development of the political system.

But the group fully supported the principles of Mr Cha's model, he said.

A Basic Law drafter's subgroup had earlier endorsed Mr Cha's proposal to elect the first three chief executives by a grand electoral college and to conduct a referendum during the third term.

Mr Cha also proposed the legislature should start with 27 percent of its members being elected directly with the proportion being increased to 50 percent in six years.

Mr Lo strongly hinted the liberals should negotiate with the other political groups to find a compromise on the future political model.

He said his group suggested the first legislature, with a two-year tenure, should have 55 members. Fifteen of them should be directly elected, 25 through functional constituencies and 15 from the grand electoral college.

By 1999, the legislature should be extended to 65 seats, with direct ones increased to 25, while the composition of the rest remained the same as 1999.

The third legislature, which started in 2003, would be the same as the second one to ensure political stability.

By 2007, the legislature should have 80 members with half of them directly elected.

But Mr Lo maintained there should be a nominating body for the grand electoral college for electing the chief executive and it should be represented in the Legco [Legislative Council].

The Group of 88's suggestion was one of eight handed yesterday to Mr Cha.

Mr Cha will pass them on to Basic Law drafters in Guangzhou this week.

**Basic Law Drafter Defends Compromise Model**  
*HK0412043888 Hong Kong SUNDAY STANDARD in English 4 Dec 88 p 2*

[By Fan Cheuk-Wan]

[Excerpt] Basic Law drafter Mr Louis Cha yesterday defended his compromise political model, even though some still think it lacks caution.

At the same time, Mr Cha warned against the risk of inviting the participation of the Chinese Communist Party if there was too hasty democratic development in the run-up to 1997.

Describing it as a "great danger of the current democratic movement," Mr Cha said party politics should be avoided as 1997 approached.

Speaking after the sixth general meeting of the Basic Law Consultative Committee (BLCC), Mr Cha said some people regarded the proposal as not steady or cautious enough.

Mr Cha is the local co-convenor of the Basic Law Drafting Committee (BLDC) political sub-group.

His proposal was harshly criticised as "ultra-conservative" by the liberals when it was publicised during the meeting of the Basic Law Drafting Committee political subgroup.

However, he insists his proposal could represent the wishes of the majority of the population.

While Mr Cha rejected wide-spread speculation that his proposal was drafted on instructions from the Chinese authorities, he supported the Chinese authorities' right to become involved.

"The BLDC is an organ of the National People's Congress Standing Committee and I'm responsible to the Chinese Government," he said.

Mr Cha highlighted the China factor as a crucial consideration in future democratic developments in Hong Kong.

"I am very anxious about the possible direct participation of the Communist Party in Hong Kong politics. I firmly believe the party will not participate if there is no instability in local politics," he said.

Mr Cha said he would reflect different opinions on his compromise model during the coming meeting of the BLDC chairmen in Guangzhou.

Apart from the Group of 190, most of the proposers of the other political models supported the mainstream model, Mr Cha said.

Secretary general of the BLCC, Mr Leung Chun-ying, said it was unfair to criticise the BLDC for not consulting Hong Kong people before passing the mainstream model.

"The key problem is how the BLDC should treat the opinions of those who had refused to compromise throughout the drafting work," Mr Leung said. [passage omitted]

**Daily Criticizes MING PAO Editorials**  
*HK0512045388 Hong Kong SOUTH CHINA MORNING POST in English 5 Dec 88 p 29*

["Opinion" column: "Basic Misconceptions"—"Open Letter" by "A Group of Academics Led by Television Personality Stephen Davies" accusing MING PAO of "Writing Misleading Editorials To Promote a Post-1997 Political Model Which Would Help Delay Democracy in Hong Kong. MING PAO is partly owned by Louis Cha, a Basic Law Drafter Who is Responsible for Both the Editorials and the Political Model."]

[Text] The series of editorials in MING PAO DAILY NEWS which appeared on November 25-27 leave us utterly bemused.

The writer puts the cart before the horse, the horse before the cart, and sometimes dispenses with the horse or cart as, it seems, the whim dictates.

There is juggling, though not very dextrous, with facts and concepts. These are whirled around confusingly and if, occasionally, one falls on the floor, others are let go to pick up that which has fallen.



Universal suffrage, direct elections, heads of state, heads of government, consultation, indirect elections, selection, nomination and democracy are hurled together to create a weapon whose primary function is to lambast the hapless group of so-called "some political activists" in Hong Kong.

What suffers most of all is any understanding of how democratic systems work in any of the examples which are cited.

Let us set out with some clearly accepted starting points. First, most of the systems for deciding the head of state, head of government or both referred to in the editorials are systems which have existed for some time.

The systems are by now complex compounds of the formal and informal. There are the formal constitutional provisions and informal systems through which some of these formal provisions have been put into effect and altered through time.

Depending on the fundamental political values (sometimes called the political culture) of a society will be the way in which the informal systems modify the formal provisions. No system can be understood without reference to its informing political values.

Second, any system for deciding upon the head of state, head of government, or both tends to differ from any other. The different systems attach greater or less power to the offices of head of state and head of government depending on whether the state is unitary or federal, small or large, culturally heterogeneous or homogenous, presidential or prime ministerial, and so on.

Third, the significance which is attached to the system through which the holder of any particular office is decided upon is dependent on the power of the office. The lesser the power, the less the system matters. For a largely symbolic office with little power, heredity may be acceptable. For a very powerful office, it is unlikely to be.

What is the significance of this initial and very general sketch?

To answer this question brings us to the nub of the issues and one that is ignored in the editorials. The general point of agreement embodied in the formal constitutional provisions and informal electoral practices of virtually all the systems mentioned in the editorials lies in a shared set of core political values.

The key here is that the most powerful offices of state must be legitimate. It is agreed that their legitimacy rests in the acceptance of the office holder to the citizenry. Thus the compound systems which were so misleadingly described express, each for its particular society, means that acceptability to the citizenry may be tested on each occasion of deciding who is to hold powerful public office. [sentence as published]

Of course, these means differ. But they differ because of different views as to how acceptability to the citizenry may be tested. All agree that acceptability must be tested, cannot be taken for granted or cannot be presumed to be vested in any privileged group of people.

In short, all the systems recognise the fundamental civic equality of citizens.

One cannot go through many examples in details, so we shall stick with the United States. It is true the American president (who is both head of state and head of government) is indirectly elected by members of an electoral college. It is true that the devisers of the constitution 201 years ago were worried about direct elections for the Office of the President. Formally, therefore, the U.S. President is indirectly elected by an electoral college small in numbers in proportion to the eligible directorate of the United States. But this is a trivial misreading of what actually takes place.

Even formally, the process whereby the electoral college is arrived at is itself predicated on the testability requirement mentioned above. Does the state legislature direct how the electors are to be appointed? The state legislatures in the U.S. are directly elected on a full universal franchise and when voters vote for the legislators, they know the affiliations of those legislators and hence their likely leaning with respect to choice of electoral college electors.

This has now led, through a fuller recognition of the ideal of civic equality to the present informal system.

The present state of affairs has arisen precisely because the original formal system in the Constitution did not fully recognise civic equality and hence meet the testability requirement.

The party system and the informal primary system has developed precisely to ensure that the acceptability of the holder of the most powerful office in the U.S. to his or her civic equals is tested.

That is, the president must be tested for acceptability to every enfranchised member of the U.S. populace in a way that the framers of the Constitution had precisely tried to avoid.

Hence, when voters last month voted in the U.S. Presidential election (though we know this to be a formal misnomer), they were voting for the President.

The reply to this will be: "But who chose the candidates?" If we accept the above argument that holders of supreme offices of significant power must meet the testability requirement, the above question introduces the most serious confusion in the editorials.

This confusion is between eligibility, nomination and election to office. Thus there are three separate issues to be distinguished.

First, formal eligibility criteria for candidacy. In the U.S. this simply requires a candidate to be 35 and a natural-born citizen. The criteria presuppose that anyone who meets them may stand for office (in this respect the present draft Basic Law is unexceptional) and thereby endorse a principle of fundamental civic equality. Any 35-year-old native U.S. citizen could be president.

Second, there is the process of nomination of candidates for office. The U.S. Constitution is quite silent on the nomination process.

Consistent with the ideal of civic equality it allows for any eligible citizen to offer himself or herself for office. This allows for a plethora of candidates. Note, however, how the U.S. Constitution breaks ties between candidates using members of a popularly elected legislature.

But a plethora of candidates presents voters with too muddled a task. The resolution of this has resulted in an informal system to reduce choice. A simple matter of economising choice which has been tested and found acceptable.

Acceptable in what way? The informal system has itself met the requirement of testability—though now a more limited one. For if the number of nominees is reduced, that process of reduction must be acceptable to the nominators. Thus the party system and the primary system are informal means whereby the acceptability of nominees is tested democratically.

Of course, there are imperfections, but note that these imperfections have a natural limit. So soon as they seriously violate the testability requirements (and they are coming close), they will be changed. Note how dissatisfaction with the most recent run of presidential elections has led to suggestions for some form of constitutional reform to bring the elections more into line with the testability requirement of civic equality.

Third, there is the process of choice between nominated candidates. This is the final election, and we have seen already how all three parts of the system developed through time, has ensured that the present state of affairs in the U.S. achieves the effect of an election between candidates on a full universal franchise.

The president is a civic equal seen to have been chosen by a sufficient majority of his or her civic equals.

It has taken us this long to sketch the great complexity of the U.S. process in order to show how it reveals the fundamental value of civic equality. It has also shown the need for testing the acceptability, to his or her civic equals, of the holder of the highest political office.

Ignoring this complexity allowed the writer of the MING PAO DAILY NEWS editorials to suggest that the "mainstream model" (mainstream to whom and tested by what means?) of the post-1997 system for choosing the future chief executive was nothing untoward.

The proposed model racially [word as published] denies civic equality. The proposed electoral college system makes not the slightest acknowledgement of the testability requirement that such a principle of civic equality demands and which the complex interaction of formal and informal constitutional structures in democratic systems reflects.

Only some 15 years after the institution of the Hong Kong Special Administrative Region is there a weak recognition of civic equality in a single referendum—in effect a referendum on the desirability of a system which recognises civic equality but which is not yet in place.

The political activists and others who criticise the proposed model are quite right. The model holds democratic values in contempt.

The critics are also quite right in the essence of their claims about other systems. These systems admittedly sometimes in imperfect way, nonetheless recognise and seek, either formally or informally, or both to acknowledge civic equality.

Hong Kong people are trusted to run their own lives, marry, bring up children, hold down jobs, seek educational and other improvements for themselves and their children and, as the evidence so plainly shows, they do these things extremely well.

They are highly literate, well behaved, hard working people. They are civic equals. Why are they not the equals of so many of the Basic Law Drafting Committee?

Signed: Dr Stephen Davies, Dr John Burns, Dr David Clark, Ms Terry Lui, Mr Elfred Roberts, Dr Ian Scott, Mr Ray Yip (members of the Department of Political Science, University of Hong Kong).

**END OF**

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**DATE FILMED**

5 Dec 1988



